

Reagan, While Praising Pact, Vows to Protect Contra Interests

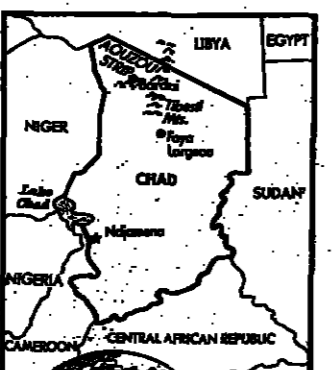
By Stephen Engelberg
WASHINGTON — President Ronald Reagan has expressed support for the preliminary peace pact reached by five Latin American nations, but he said "there is much work to be done by the parties involved."

said in an interview on an NBC news program. "We never had the impression that we possessed the almighty wisdom to dictate in precise terms what arrangements should be made in Central America."

peace process, while making it clear that the administration has doubts about whether Nicaragua will fulfill its promises. "There is hardly a choice," an administration official said. "The plan is there. The question is how we attempt to avoid the dangers and take advantage of the opportunities."

Chad Recaptures Town And Libyans Retaliate

NDJAMENA, Chad — Chadian troops recaptured the town of Aozou in weekend fighting after 14 years of occupation by Libya, but Colonel Mouammar Gadhafi's air force retaliated within hours Sunday with heavy bombing attacks.



The Chadian ambassador to France, Ahmed Allammi, said in Paris that the bombardments were intense, with the jets hitting Chadian positions at Aozou and elsewhere in the Tibesti mountains of northwestern Chad. He gave no word on casualties.

The Chadian government, in statements read over the radio Saturday night and Sunday, said the battle for Aozou began Saturday morning when Chadian troops repulsed a Libyan attack at the oasis town of Bardai, 45 miles (about 70 kilometers) south of Aozou.

It said that the Libyans retreated and that the Chadians followed and counterattacked. The government said that by Saturday night, Chadian forces had gained control of Aozou, the administrative capital of the Aozou strip, a disputed length of Sahara Desert believed rich in oil and minerals.

Chad, if it can hold the town, would have effective control of the Aozou strip although Libya maintains an air base in its own territory about 30 miles to the north that See CHAD, Page 6



Black South African Mineworkers Begin Strike
Workers leaving the Blyvooruitzicht gold mine in Carletonville, South Africa, at the end of their shift. About 200,000 members of the National Union of Mineworkers, along with as many as 100,000 other mineworkers, were expected to join a strike that began Sunday night. Page 2.

Allies Providing Quiet Support to Mission in Gulf, Weinberger Says

WASHINGTON — Defense Secretary Caspar W. Weinberger said Sunday that U.S. allies were quietly supporting the intensified U.S. Navy presence in the Gulf, and he confirmed that new minesweeping efforts had turned up mines.

Mr. Weinberger, appearing on a CBS television program, also denied Iranian allegations that the United States was to blame for rioting July 31 in Mecca, Saudi Arabia, in which more than 400 people died.

The 81,000-ton Sea Isle City; its sister tanker, the 80,000-ton Ocean City; and the 47,000-ton liquid petroleum carrier Gas King were able to travel in shallow waters west of the Farsi channel. The shallow waters are not navigable by the 400,000-ton Bridgeton.

On the television program, Mr. Weinberger said: "Rumors that our allies are not behind us are not correct. These rumors float around all over."

Kiosk Israeli Bomb Lebanese Sites

TEL AVIV (Reuters) — Israeli helicopter gunships bombed on Sunday a headquarters of guerrillas connected to the radical pro-Iranian group Hezbollah, or Party of God, in southern Lebanon, an army spokesman said.



The Soviet Union's unfavorable trade balance with the U.S. is behind Mr. Gorbachev's new export policy. Page 11.

U.S. Effort in Iran Included a Hostage Rescue Plan

By Walter Pincus and Dan Morgan
WASHINGTON — A secret element in the first arms-for-hostages transaction with Iran was a U.S.-Israeli counterterrorism operation in September 1985 that was designed to rescue any American hostages in Beirut who were not freed as a result of the arms shipment, according to sources and notes of meetings.

The U.S. ambassador in Beirut reported on Sept. 4, 1985, that "North was handling an operation that would lead to the release of all seven hostages," according to information supplied by Secretary of State George P. Shultz to the special review board on the Iran-contra affair led by former Senator John G. Tower.

The rescue component of the September 1985 arms shipment was not investigated during the Iran-contra hearings, but it was known to all the top U.S. national security officials, according to sources and State Department notes.

On Sept. 17, 1985, according to the notes, "possible military activities" were discussed by Robert C. McFarlane, then national security adviser and Colonel North's boss, at a luncheon with Mr. Shultz, Defense Secretary Caspar W. Weinberger and William J. Casey, then director of central intelligence.

Mr. McFarlane did not mention the TOW shipment at the luncheon, according to the notes. A source familiar with the notes said See RESCUE, Page 6

Chileans Looking Twice At Moves to Democracy

By Shirley Christian
SANTIAGO — "Sometimes I have a dream," a bank chairman said recently, leaning back in his chair. "It is that democracy returns to Chile, that I still have my car and house, my stock is secure and the country takes off in fantastic development — instead of the left bringing back another Allende nightmare."

The business leaders do not necessarily agree with the rightists, whose parties have the backing of about one-third of the electorate. The rightist parties range from two that were formed as campaign vehicles for General Pinochet to old-line, conservative democratic parties that openly oppose him and would like competitive elections instead of a plebiscite.

New 'Football' In Old London

Eric Dickerson broke out of the grasp of Vince Newsome of the Denver Broncos to score the first touchdown Sunday for the Los Angeles Rams, who won the American Bowl in London by the score of 28-27. The annual game, between teams of the National Football League in the United States, was played in Wembley Stadium before a crowd of 72,786. Story, Page 17.



U.S. Ponders Its Responses To Any Raid By Iranians

By Richard Halloran
WASHINGTON — Although Secretary of State George P. Shultz has asserted that the United States can avoid hostilities in the Gulf, specialists on the region and senior military officers are not so sure.

In a news conference Thursday Mr. Shultz said, "I don't think there is any prospect at all that we will be drawn into a shooting war."

Should Iran openly attack a tanker flying an American flag, a U.S. warship or a U.S. embassy in the region, retaliation could be swift, given the fact that the United States will soon have 24 vessels and 15,000 men in the region.

GENERAL NEWS

- A Tamil protest held up the surrender of arms by rebels in Sri Lanka. Page 2.
U.S. intelligence officers helped former Nazi collaborators enter Canada after World War II, a historian says. Page 5.
Jean-Marie Le Pen, the National Front leader, has taken his message to French beaches to reach voters. Page 2.
BUSINESS/FINANCE
Peru's president said backlashes from his bank nationalization plan could threaten his government. Page 11.
PERSONAL INVESTING
In California, wine collectors can now be investors — thanks to the state legislature. Page 7.

The Big Guns of August: Paris Media Moguls Stay and Work

By Mary Blume
PARIS — The tradition is nearly as old as the paid vacation, or *congé payé*. In August the sidewalks of Paris are rolled up and the iron shutters pulled down. The exodus begins on July 31, it ends at midday on Aug. 15, the city's torpor is annually immortalized by photographers of a Place de la Concorde empty of cars. In August nobody's in town.

Labro, a quintessential media man who is a journalist, novelist, filmmaker and director of news and entertainment for RTL. "If you have 150 important media people in Paris in August, those people are going to make damn sure that their newspapers and programs are full of stories and pictures about people being in Paris in August because they are there."

Most media people take their vacations in July or September, those who leave in August are back by mid-month at the latest (Serge July, the editor of the newspaper Libération will be back on Aug. 15. In 1973, by

way of contrast, Libération simply shut down in August as if it were a car factory). Philippe Labro was away in July, except for a hop to Paris to be seen at the president of the republic's traditional July 14 reception.

Soviet Is Said To Deploy Rail Missile

By R. Jeffrey Smith
WASHINGTON — The Soviet Union is believed to have started deploying the world's first strategic nuclear missile able to be launched from railroad cars, according to U.S. officials.

The missile, known in the West as the SSX-24, can be moved on vast portions of the Soviet rail system to evade U.S. monitoring and attack, officials said, potentially complicating future efforts to verify Soviet compliance with arms control treaties.

U.S. officials agreed that the SSX-24 missiles had been moved on rail cars from the factory where they were produced, but they disagreed about whether the missiles had yet become fully operational.

Le Pen Hits the Beaches With Message of French Nationalism



'You voted for policies of the right but what you got were policies of the left.'

By Julian Nundy International Herald Tribune

LA TRINITE-SUR-MER, France — A caravan of seven trailer trucks rolled into this Breton fishing port in the early morning...

It was Mr. Le Pen's 14th appearance in the campaign for the May 1988 presidential election...

slacks, addressed the usual issues that preoccupy him: the hopelessness of the major conservative political parties...

The major parties have yet to declare their intentions. In the parliamentary elections last year, the National Front, benefiting from a brief experiment with proportional representation...

At Cagnes-sur-Mer, on the outskirts of Nice, the big top was destroyed by fire — its cause has not been established — and had to be replaced.

Bonn Fears New Guerrilla Attacks

BRUNNEN (Reuters) — The urban guerrilla group Red Army Faction has regrouped and is planning a fresh wave of attacks...

Israel Denies Abducting Spy Suspect

JERUSALEM (AP) — A government official rejected a newspaper's allegations Sunday that Moshe Dahan, a former Israeli nuclear scientist...

Black Miners Launch Strike in South Africa

United Press International

CARLETONVILLE, South Africa — The National Union of Mineworkers launched a strike in South African gold mines on Sunday night...

There was no immediate information on how many miners responded to the union's call for a strike by 200,000 members at 28 gold mines and 18 collieries.

Howard Gabriels, a spokesman for the 320,000-member mineworkers union...

The strike started in the face of a government threat to clamp down on militant labor unions.

Cape Town Editor Critical of Press Laws Is Dismissed

The Associated Press

CAPE TOWN — Times Media Ltd., one of the major newspaper chains in South Africa...

Mr. Heard declined to be interviewed about the dismissal...

Under Mr. Heard's leadership, the Cape Times often tested press restrictions...

representative of their black workers to join the strike.

The 750,000-member Congress of South African Trade Unions...

The strike was called after wage talks broke down last month between the mineworkers union...

The chamber offered and unilaterally implemented increases of 17 percent to 23 percent...

Howard Gabriels, a spokesman for the 320,000-member mineworkers union...

The strike started in the face of a government threat to clamp down on militant labor unions.

Civil Ramaphosa, secretary-general of the mineworkers union...

Funeral Under ANC Flag

A black union member and anti-apartheid activist who was hounded to death last month was buried Saturday...



A Tamil prisoner, right, about to be freed in southern Sri Lanka, embracing a comrade not yet released.

Tamil Protest Delays Surrender of Arms

The Associated Press

COLOMBO, Sri Lanka — The surrender of arms by Tamil militants hit a snag Sunday as Tamils in northern and eastern Sri Lanka held a general strike...

In an amnesty under the peace accord, an initial group of 291 Tamil political prisoners was released Saturday...

Sri Lanka and India signed a peace agreement July 29 in an effort to end four years of ethnic strife in Sri Lanka.

Eugen Loebel, Ex-Prague Trade Official, Dies at 80

The Associated Press

NEW YORK — Eugen Loebel, a former first deputy minister for foreign trade for Czechoslovakia...

fighting for their own homeland, began Wednesday with the surrender of several truckloads of weapons...

The two main rebel groups, the Liberation Tigers of Tamil Eelam and the allied Eelam Revolutionary Students Organization...

The strike was to protest the reported killing of two rebels Tuesday by security forces on Mannar...

including Rudolf Slansky, the former party leader, who were forced to confess to high treason and espionage in the Slansky Trial.

Mr. Loebel was an economic adviser to Jan Masaryk, minister of foreign affairs of the Czechoslovak exile government during World War II.

Mr. Loebel, who emigrated to the United States in 1968 after the Soviet invasion of Czechoslovakia...

and used by the Vatican in addressing the problems of developing countries.

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including Rudolf Slansky, the former party leader, who were forced to confess to high treason and espionage in the Slansky Trial.

Aquino Lists Anti-Crime Measures

MANILA (WP) — President Corason C. Aquino, under pressure to curb lawlessness after a series of unsolved political murders...

However, Mrs. Aquino rejected calls that she suspend some basic rights of criminal suspects or adopt other martial law measures...

'There will be no constitutional shortcuts to public safety,' Mrs. Aquino said.

Shultz Aide to Lobby Shamir on Talks

JERUSALEM (Reuters) — A senior aide to Secretary of State George P. Shultz of the United States has arrived in Israel...

Mr. Shamir views the proposal for a conference under UN sponsorship as a Soviet-inspired scheme to force the return of Arab land captured by Israel in the 1967 Middle East war.

South Korean Workers Demonstrate

SEOUL (Reuters) — The police said workers demanding better pay and conditions demonstrated in four South Korean cities on Sunday...

About 20,000 workers, who were also demanding the right to form free trade unions, staged sit-ins at about 80 companies...

Labor Minister Lee Hwan Ki said Saturday that the growing unrest could endanger South Korea's still-fragile process of political reform.

Afghan Rebels Say 55 Died in Attack

ISLAMABAD, Pakistan (Reuters) — Thirty-five Afghan guerrillas were killed and 20 wounded in a recent ambush near the frontier with Pakistan...

The spokesman for Hezb-i-Islami (Khalis), one of seven Pakistan-based groups fighting the Soviet-backed Kabul government...

The Afghan government's Bakhtar News Agency reported Friday that border forces had seized 19 rocket launchers, 82 light weapons...

TRAVEL UPDATE

France Lists New Conditions for Visa

PARIS (Reuters) — Many foreigners who wish to visit France for less than three months will have to prove that they have enough money...

When applying for short-term entry visas, they will have to produce return train or plane tickets, proof of their address while in France...

Interior Minister Charles Fassinia said that the requirement 'will be an extra way of fighting illegal immigration.'

Delta Air Lines Crew Is Reprimanded

ATLANTA (UPI) — Delta Air Lines has taken 'administrative action' against the crew of a Delta jet that came within 100 feet (30 meters) of a Continental Airlines plane...

The Delta L-1011 was en route July 8 from London to Cincinnati with 164 passengers when it strayed 60 miles (100 kilometers) off course...

On Friday, the Federal Aviation Administration withdrew the captain's permit of a Delta pilot who mistakenly shut down the engines on his Boeing 767 jet over the Pacific shortly after takeoff...

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and their dependencies this week because of national and religious holidays.

MONDAY: Ecuador, Nicaragua, Singapore. TUESDAY: Chad, Jordan, Zimbabwe. WEDNESDAY: Thailand, Zimbabwe. THURSDAY: Central African Republic, Congo, Tunisia. FRIDAY: Congo, France, Italy, Ivory Coast, Madagascar, Morocco, Pakistan, Vatican City.

SATURDAY: Austria, Austria, Belgium, Denmark, Central African Republic, Chile, Congo, Costa Rica, France, Greece, Hungary, India, Italy, Jordan, Lebanon, Liberia, Lithuania, Luxembourg, Macao, Madagascar, Malawi, Maldives, Papua New Guinea, Paraguay, Portugal, Rwanda, Saint Martin, Singapore, South Korea, Spain, Taiwan, City, Venezuela.

DOONESBURY

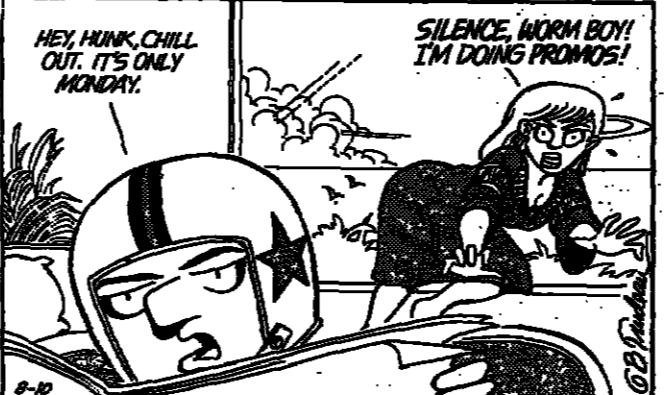
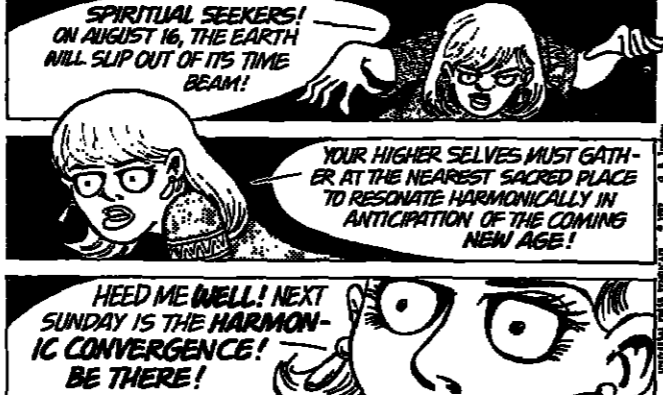


Table with 3 columns: TITLE, SALARY, EMPLOYER. Contains job listings for Materials Manager, Financial Controller & Treasurer, Public Relations Manager (Europe), Civil Construction Engineer, and Investment Manager.

WORLDWIDE ENTERTAINMENT - CANACHE LIDO - The most famous night-club in the world. 8 p.m. dinner dance, champagne and show F 495.

Koch Leaves Hospital 'In Excellent Shape' - NEW YORK (NYT) — John Warriner, a retired teacher and author of a widely used series of textbooks on English, died of cancer July 29 at his home in St. Croix in the Virgin Islands.

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One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.

BASF 1986

Another successful year

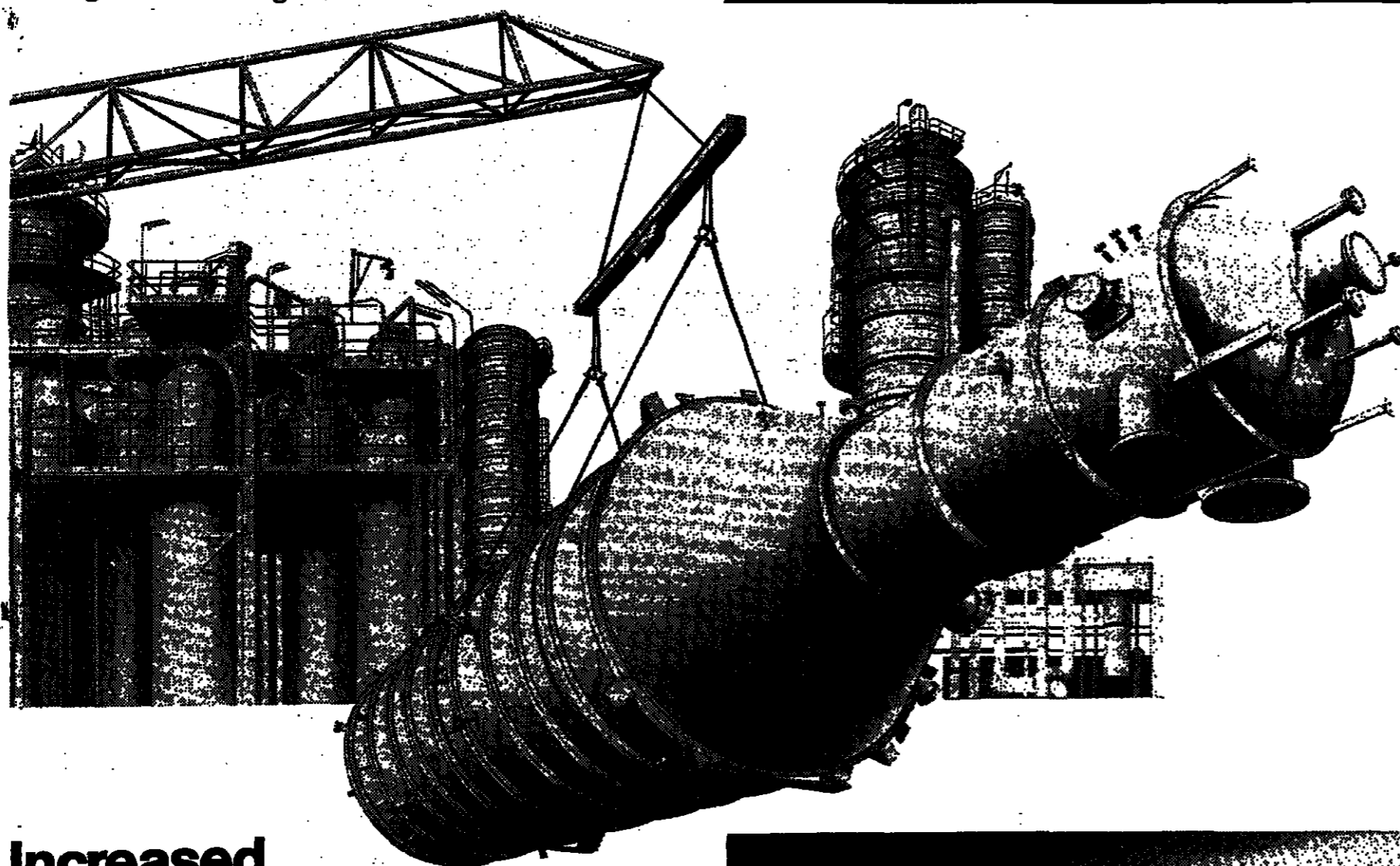
BASF, a major international chemical company renowned for its trail-blazing scientific and technological achievements, is proud to announce its Financial Results.

For BASF Group, 1986 proved successful as another year of strong financial reinforcement; new venture integration; increased sales volume; and continued, far sighted commitment to research, development and capital expenditure programmes.

The decline in Net Sales was due wholly to extraordinary international factors, and the drop in profits was almost exactly equal to the down-valuing of our oil and gas inventories.

	DM Million 1986	DM Million 1985	% Change
BASF Group			
Net Sales	40,471	44,377	- 8.8
After-Tax Profit	910	998	- 8.8
Capital Expenditure	2,657	2,456*	+ 8.2
Employees	131,468	130,173	+ 1.0
BASF AG			
Net Sales	18,717	20,461	- 8.5
After-Tax Profit	710	646	+ 9.9
Capital Expenditure	1,142	884	+29.2
Dividend	535	496	+ 7.8

*Adjusted for acquired assets.



Intensified research and development

The Research Expenditure budget of over DM 1.7 Billion, considerably up on 1985, reflects the Group's belief that the long-term view is paramount.

Its general thrust can be gauged from the fact that net sales of higher value-added products account for nearly 60% of total turnover.

Highlights were the development of methacrylic acid and methyl methacrylate monomers; the inclusion of polyether ketones in our range of high performance engineering plastics; the new optically active phytohormone herbicides (Duplosan grades) which contribute further to environmentally compatible crop protection; and developments in advanced composite materials, such as the carbon fibres used in the Beechcraft Starship 1.

Increased capital expenditure

Our Capital Expenditure programme amounted to a very significant DM 2.7 Billion.

Among its most notable achievements was the doubling of acrylic production capacity, via the opening of a second plant in Freeport USA.

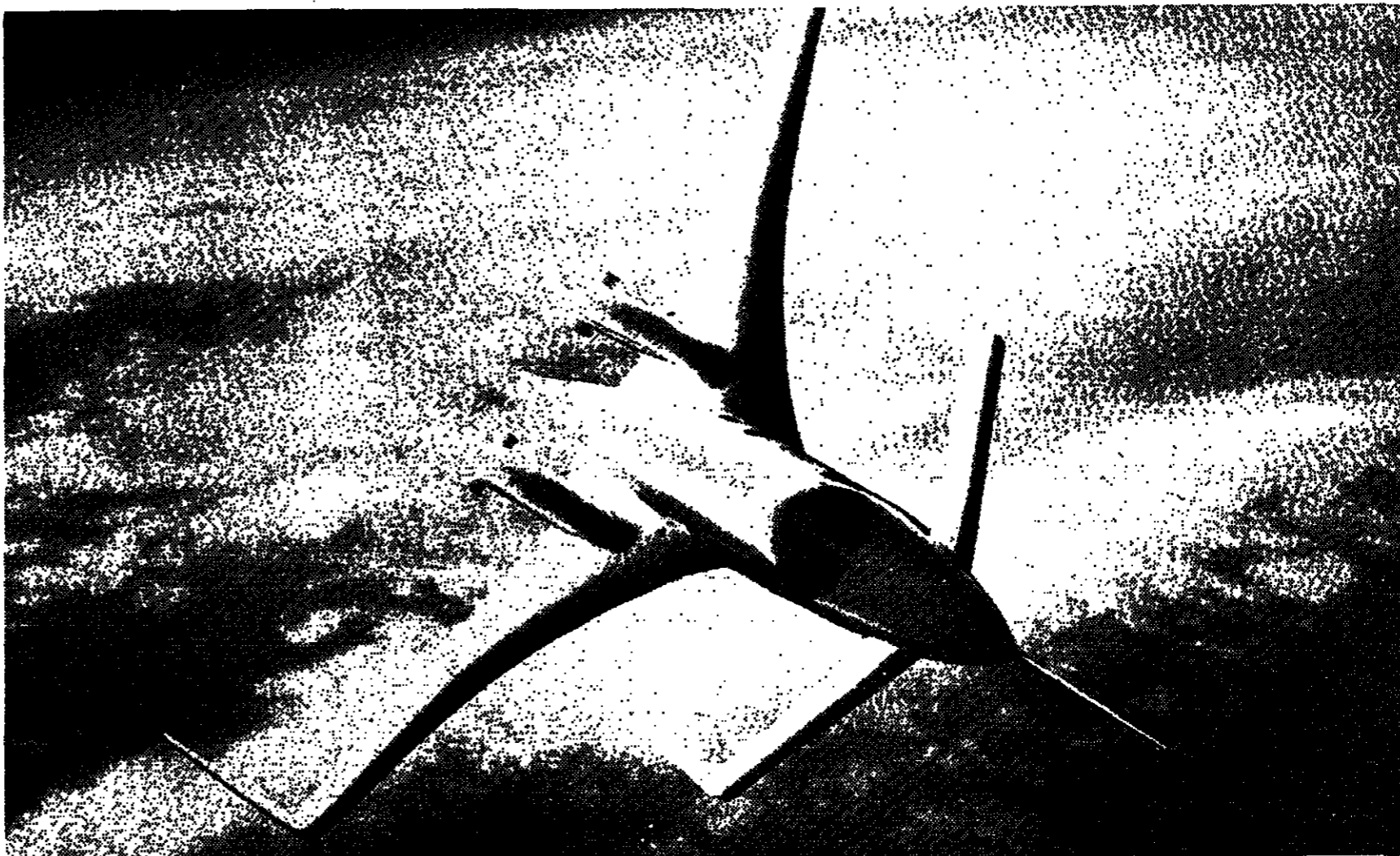
Yet further capacity will come on stream in 1988 when the new Ludwigshafen plant is opened.

Commitment to growth

Above all, underlying BASF Group's 1986 Results is a single minded commitment to growth.

The Group's philosophy is based on the long term view; the conservative valuation of assets; and the need for a continuing high rate of return from all operations.

Its overall viewpoint is strongly international - 60% of Group Sales now come from outside Germany.



Beechcraft Starship 1.

BASF

INTERNATIONAL Herald Tribune

Will the Spirits Come?

Resolving most international conflicts depends far less on discovering the proper outcome than on bringing it about. Until the spirits to make tough political decisions are awakened, until the stars have been aligned into a well mapped constellation, all is maneuver or pretense. Consider Nicaragua, the Persian Gulf and the Soviet-American missile pact for Eurasia.

Not Just a Hot Summer

July was detestably hot in Washington, with the Fahrenheit temperature in the 90s more days than in any month as far back as records go. August, so far, is no great improvement. The world's climate is changing.

At Its Cynical Worst

Congress has punctually disappeared on its August vacation, the only deadline it has met all year. The legislators' last act on leaving town was to pass yet another short-term extension of the Treasury's borrowing authority, to keep the government in funds while they are at the beach.

Other Comment

One of the Mysteries of the Age American foreign policy is one of the mysteries of the age. All over the United States there are university departments of international affairs, where professors are well paid to ponder about America's place in the world.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982

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OPINION

The Arab Side Should Be Fighting to Win

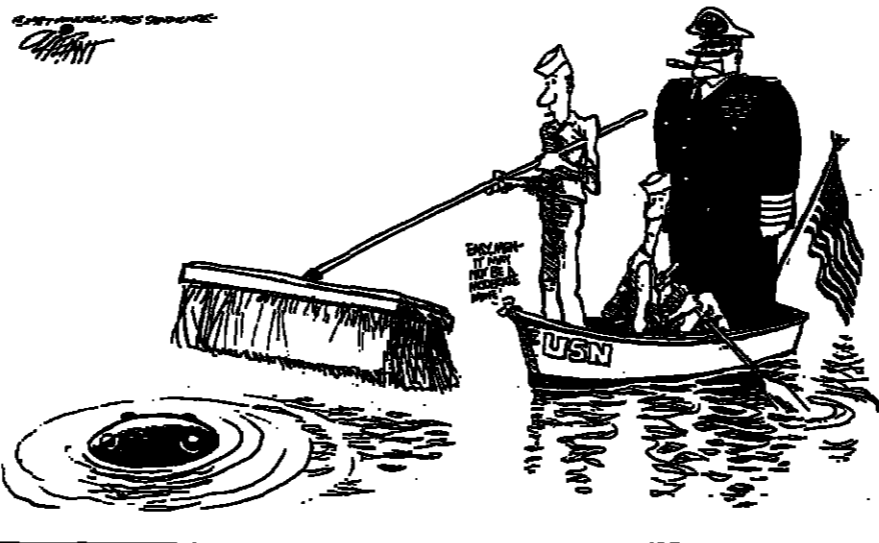
By William Safire

WASHINGTON — In the long Arab-Persian war in the Gulf begun by Arab Iraq's aggression, the Persians have been fighting to win while the Arabs have been fighting to settle. If those strategies continue, the Persians in Tehran will triumph and the United States will have involved itself on the losing side.

A Second Italian Policy Is in Reserve

By Enrico Jacchia

ROME — Would a multinational naval force be the right answer to Iran's mining of the Gulf? The idea is making the rounds in Rome. Two quite different policies are suggested.



Hindu-Moslem Tension Mounts as Gandhi Zigzags

By Bharat Wariawalla

NEW DELHI — As he begins his third year in power, Prime Minister Rajiv Gandhi is a harried man. Trouble after trouble has visited his government in the last six months.

as is the Soviet state. Here it simply means separation of politics from religion. The Congress Party since the days of Mahatma Gandhi and Pandit Nehru has made secularism the cornerstone of the constitution.

Reagan's Nose Could Change The Whole Face of the World

By Michael Oppenheimer and Daniel J. Dudek

NEW YORK — After a third year with skin cancer, President Reagan's nose, as he noted, is a "billboard" warning against excessive exposure to the sun.

But the policy of living in peace with its neighbors was also given up for domestic reasons. When things are bad at home, Pakistan-baiting is always useful. That is what Mr. Gandhi did at a recent public rally, sounding as crusty as his mother.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: New York Reacts NEW YORK — [The New York Herald says:] To our friends in other cities who are pointing their fingers at Manhattan Island and saying, "O Lord, how thankful we are that we are not as New York," we would say, watch New York clean house and take a lesson.

They Think The Systems Are Alike

By Jim Hoagland

MOSCOW — Noticing a guidebook in English tucked under a stranger's arm, a balding, bearded Georgian stops on the street and breaks into English. "America? Tourist? You have come to see Georgian town, not Russian here," says this teacher, chatting as amiably as would an Italian in Rome who wanted to practice his English by making small talk about his country and mine.

Red Sea to search for mines laid between the Suez Canal and the Gulf of Aden by a still unidentified country or group. The four countries had been asked to do so by the Egyptian government, which coordinated the activities of such naval groups from Cairo on a bilateral basis.

It is widely thought, too, based on past experience with radical Arab states, notably Libya, that Iran's retaliation against an Italian naval presence in the Gulf would likely result in blood being spilled on Italian shores.

Surprised? Not at all. This is what we have been told all along. Of course there were secret plots hatched in the Situation Room of the White House that were the real policy, while Congress put on a big show about being the voice of the people and the source of laws.

The writer is a senior fellow at the Center for the Study of Developing Societies in New Delhi. He contributed this comment to the Los Angeles Times.



Sandinists Hail Accord But Warn of Obstacles; Opposition Is Cautious

By Stephen Kinzer
New York Times Service

MANAGUA — The Sandinist government has described the accord signed Friday by five Central American leaders as a historic step toward peace but has warned that important obstacles remain. The agreement stipulates an end to the state of emergency in Nicaragua. For five years, the Sandinist government has used emergency rule to prohibit major political demonstrations and restrict civil rights.

Alejandro Bendaña, an official with the Nicaraguan Foreign Ministry, appearing on an ABC News program, said Sunday: "It's a complex package and many of its details need to be worked out, but what we are underscoring is the will to arrive at peace through negotiations and what we need now is the United States' concurrence, because the main thing is to halt the fighting in Central America. That means the U.S. must halt in turn its war against Nicaragua."

He said there was nothing in the Guatemala plan "that says we have to sit down and talk with the contras." "The contras are a creature and creation of the United States," he added. "The Central Americans recognize this; when will Washington recognize this?"

The Guatemala accord says that "complete freedom for television, radio and press should exist," and that all countries in the region should decree amnesties and embark on "an authentic democratic pluralist process."

In a nationally broadcast speech Saturday, President Daniel Ortega Saavedra indicated that there would be no immediate political changes. Until now, the Sandinists have maintained that questions such as press and political freedom were internal matters that could not be covered by any international agreement.

The other main aspect of the accord, the prohibition of outside aid to insurgents in Central America, prompted guarded hope in Nicaragua that the civil conflict that has devastated the country since 1982 might be ended.

"We have entered another phase in the struggle for peace," the official Sandinist newspaper Barricada said in an editorial.

The newspaper said that the basis of the Guatemala agreement was recognition of "dialogue and negotiation as the only way to reduce differences, the only course for civilized nations."

Aboard the airliner that carried him back to Managua, Mr. Ortega described the agreement as "a first, great, transcendent and historic step."

"We still have major steps to take before there is peace in Cen-

tral America," he said. "We cannot yet have great expectations." He added, "We hope the United States government will act rationally for the first time, that it will respect this agreement of Central American leaders and leave us in peace."

The clandestine September 15 radio on Saturday broadcast reactions to the accord from leaders of the U.S.-backed insurgents, known as contras.

They expressed doubt that the Sandinists would comply with clauses requiring democratization and free elections.

Alfonso Robelo Callejas, a former member of the Sandinist junta, said that Nicaraguans had "an experience of betrayal" at the hands of the Sandinists.

"We are familiar with the Marxist-Leninists," Mr. Robelo said. Another contra leader, Adolfo Calero, said that he was willing to work for peace in Nicaragua as long as Sandinist authorities committed themselves to "a peace with freedom, a peace with democracy."



President Daniel Ortega Saavedra of Nicaragua, left, conferring with President José Napoleón Duarte of El Salvador before signing a regional peace accord in Guatemala City.

U.S. Intelligence Suffers Setback Abroad

By Stephen Engelberg
New York Times Service

WASHINGTON — Revelations in the Iran-contra hearings, including details of amateurism and bungling, have shaken the confidence of foreign officials in U.S. secret operations, government officials say. They add that the disclosures have prompted the intelligence services of some friendly nations to share less information with the United States.

Although members of the Iran-contra investigating committees and Reagan administration officials insist that no classified information was disclosed during the hearings, they acknowledge that the continuing exposure of the government's inner workings carried some costs.

William S. Cohen, Republican of Maine and a member of the Senate Iran-contra committee, acknowledged that the detailed picture of ineptitude produced by the hearings would concern foreign officials and intelligence officers.

"There have been costs and embarrassments from exposing the weaknesses of the system," he said. "But it's been necessary. Once you put things back on an even keel, those countries will regain confidence because we have confidence in ourselves."

Several witnesses at the hearings said during public testimony that the detailed disclosures of the arms sales to Iran and the secret support for the Nicaraguan rebels, known

as contras, had severely damaged national security. Lieutenant Colonel Oliver L. North, among others, contended that the hearings had "revealed matters of great secrecy in the operation of our government, and sources and methods of intelligence activity have clearly been revealed to their detriment."

Members of the House and Sen-

ate committees, including some conservative Republicans, disagreed. "No intelligence information was compromised," said Representative Thomas S. Foley, Democrat of Washington.

An administration official contended that hostile intelligence services "could learn more from reading Henry Kissinger's memoirs."

The hearings received mostly approving reviews from the foreign press, with most praising the strength of the American democracy in being able to conduct such a public inquiry, according to a State Department summary of world-wide coverage.

A former American intelligence official said counterterrorism offi-

cers in several European intelligence services had told him they had been struck by the ineptitude of the Iran and contra covert operations.

Although countries like Saudi Arabia were irritated when their support of the contras became public — after they had denied giving support — officials expect them to continue aiding covert action of mutual interest.

Leaders of the Iran-contra committees said that one of their main goals had been to avoid damaging American intelligence gathering, particularly by the CIA.

Several panel members said they hoped to avoid repeating the experience of the mid-1970s, when several illegal and unsavory operations involving assassinations and manipulation of governments were disclosed.

The years after those inquiries were marked by low morale and bureaucratic timidity at the CIA and other intelligence agencies.

Senator Daniel K. Inouye, chairman of the Senate Iran-contra committee, said that the panel had decided against public testimony by Robert M. Gates, deputy director of intelligence, in part to avoid embarrassing the CIA.

For example, Mr. Inouye said, Mr. Gates would have been forced to acknowledge that although he was No. 2 at the agency, William J. Casey, the director of central intelligence, had kept him largely in the dark about the Iran and contra operations.

'There have been costs and embarrassments from exposing the weaknesses of the system. But it's been necessary.'

— Senator William S. Cohen

Study Says U.S. Aides Helped Nazi Associates Enter Canada

By John F. Burns
New York Times Service

TORONTO — A study for a Canadian government commission says that people who would have been considered "undesirable Nazi collaborators" were admitted to Canada as immigrants after World War II because of incomplete and misleading information supplied by U.S. intelligence officers.

The study, by Alti Rodal, a historian living in Ottawa, was compiled for the Deschenes Commission. The commission compiled an official report on war criminals in Canada that the government published in March.

The Rodal study, based on secret documents and extensive interviews with officials, influenced the commission's recommendation that immediate action be taken against 20 alleged Nazi war criminals living in Canada and that 215 other immigrants be subjected to further investigation.

The government introduced legislation, still pending, to allow for war crimes trials in Canada. But it ignored the commission's recommendation that the Rodal study be published, and it released the report only last week, heavily censored after The Toronto Star petitioned for the document under Canada's Access to Information Act.

The study says that government inquiries in recent years have shown that in the early 1950s U.S. intelligence officials pushed "eastern Europeans with false identities through the immigration stream to Canada."

At the time, according to the study, William Kelly, a Royal Canadian Mounted Police officer screening immigration applications in Germany, became suspicious about U.S. intentions when he noticed a number of applications "all neatly typed and emanating from an address in the American zone of occupation."

As a result, the Rodal study contends, "there were instances in which American intelligence officers withheld information from and misled Canadian authorities as to the true background of prospective immigrants to Canada, persons who would have been inadmissible on grounds of 'moral turpitude,' the category for undesirable Nazi collaborators."

Elsewhere in the study, Miss Rodal concludes that "significant numbers" of war criminals were among the 620,000 immigrants who came to Canada in the two decades after World War II from 12 European countries where war crimes were common.

The study's conclusions appear to tally with the U.S. Justice Department's disclosure in 1983 that American intelligence agencies in Europe knowingly employed and protected former Nazis, including Klaus Barbie, who was recently

convicted in a French court of crimes against humanity. The U.S. investigation showed that American officials had assisted some of the former Nazis in acquiring new identities that made it possible for them to leave Europe and settle elsewhere, notably in South America.

Although it was Miss Rodal's allegations about the role of U.S. intelligence agencies that made headlines here, her study also contained much that was embarrassing to the Canadian government.

She asserted that two alleged Nazi war criminals were admitted to Canada in 1983 because a German-born senior officer of the Mounted Police, along with other officers described by the study as having sympathies that "inclined them towards leniency with regard to former Nazis," destroyed documents relating to the immigrants' Nazi pasts.

As released, the study offers no information about the identities or whereabouts of the alleged collaborators who entered Canada with the assistance of U.S. intelligence officers or of the two men who entered in 1983.

The government, in censoring the document, said that it was doing so to protect individuals and ensure fair trials if any of them were brought to court.

Some of the censorship involved passages dealing with two former prime ministers, the late Louis St.

Laurent and Pierre Elliott Trudeau. Mr. St. Laurent is depicted as having agreed to the resettlement in Canada in 1949 of a Nazi collaborator from Czechoslovakia, Karol Sidor, after a direct appeal from Pope Pius XII.

Mr. Sidor, previously commander in chief of the Himka Guard, a Slovakian storm trooper unit, had been reassigned to the Vatican as the delegate of Nazi-occupied Slovakia.

The study quotes a letter from the Apostolic delegate in Canada telling the Canadian authorities that he "cannot settle down anywhere in Europe without undergoing serious inconveniences and vexations."

Mr. St. Laurent, who retired in 1957, was also depicted as having been "personally involved" in communicating with purported Nazi war collaborators from Vichy France who settled in Quebec after having been convicted in absentia in French courts.

Mr. Trudeau is described in the study as having opposed action against purported war criminals when the matter was put before the cabinet in the early 1980s.

Three pages of the study dealing with his attitude and with instances in which he opposed measures proposed by other members of his government were deleted before publication on the ground of cabinet secrecy.

U.S. States It May Close PLO Washington Office

By Charles R. Babcock
Washington Post Service

WASHINGTON — After months of internal debate, the Reagan administration has said for the first time that it is considering closing down the Palestine Liberation Organization's office in Washington.

According to State Department officials, recent PLO actions, such as keeping Mohammed Abu Abbas, mastermind of the Achille Lauro hijacking in 1985, on its executive board, contributed to the decision on the politically sensitive issue.

The PLO's Washington office and its office at the United Nations are the target of legislation by members of Congress who argue that they are symbols of terrorism. Other members counter that shutting the office would violate U.S. precepts of freedom of speech and harm U.S. efforts to arrange peace talks between Israel and a Jordan-Palestinian delegation.

Secretary of State George P. Shultz wrote sponsors of the legislation that the administration opposes the bill because it would vio-

late the president's powers in foreign policy. But he added that the administration is considering closing the PLO's Washington office, the Palestine Information Office, on its own.

"Closure of the PLO as a 'foreign entity,' allowed up to now to operate by the U.S. government, would of course represent a symbolic shift in the U.S. government's relationship to the office, underscoring our disapproval of the PLO's retention of Abu Abbas on the Executive Committee," Mr. Shultz wrote in a July 31 letter to Senator Charles E. Grassley, Republican of Iowa, and Representative Jack Kemp, Republican of New York, sponsors of the legislation.

"Such a gain would be sufficient to warrant Executive Branch action in this regard at the appropriate time," Mr. Shultz added.

His pronouncement followed months of internal discussions by State and Justice Department lawyers on the legal authority for such a move.

One State Department official said that the U.S. authorities were "shocked" by the PLO's decision at a recent conference in Algiers to put Mr. Abbas back on its executive board. The United States has sought his extradition on hijacking and murder charges since the hijacking of the Achille Lauro cruise ship in October 1985, which resulted in the murder of an elderly American.

The Shultz letter noted that closing the PLO observer mission at the United Nations would violate a U.S. treaty obligation and would lead to a probable defeat at the World Court and "a propaganda gain" for the PLO.

Mail-In Testing Kits for AIDS Draw Criticism From U.S. Health Officials

By Lori B. Miller
New York Times Service

NEW YORK — Several U.S. companies plan to offer mail-in testing kits for the AIDS virus, stirring concern among public health officials and drawing criticism from many doctors and others who work with AIDS patients.

The companies promoting them say they will reach a segment of the population that would otherwise not get tested: people who refuse to go to a physician or to a public testing site because of the stigma associated with AIDS, or acquired immune deficiency syndrome.

But many health experts question the accuracy of the mail-in tests. And they say it is dangerous to notify users of the kits about positive test results without offering them personal counseling about the implications.

"Right now, there is nothing more devastating than finding out your AIDS test might be positive," said Dr. Robert E. McAfee, a trustee of the American Medical Association and a surgeon in Portland, Maine. "Finding out over the telephone does not meet the compassionate, sensitive, psychological needs of a patient."

Most of the kits require an individual to prepare a blood sample at

home and send it to a laboratory for evaluation. Those using the kits would identify themselves by number and would receive their test results either in the mail or over the telephone.

The kits, costing \$24.95 to \$50, would be sold in pharmacies and medical clinics as well as by mail-order.

At least three companies are awaiting approval from the Food and Drug Administration for their at-home blood-sampling kits.

One test-kit company that is already operating, National AIDS Testing Hotline Inc. in Fort Lauderdale, Florida, requires customers to have blood drawn at a professional laboratory. They then send it to the company for private notification of results.

The FDA said it was studying whether the company's procedures were subject to federal approval. Some officials say they suspect that other companies have been offering similar services without federal approval.

Robert Komescher, project officer at the Centers for Disease Control in Atlanta for the AIDS National Hot Line, said federal health officials took a dim view of mail-in AIDS testing kits. He said: "Our position on testing has

been made very clear: We have always stressed that testing should not be done without pre- and post-test counseling, and this is a position of every public health authority in the country."

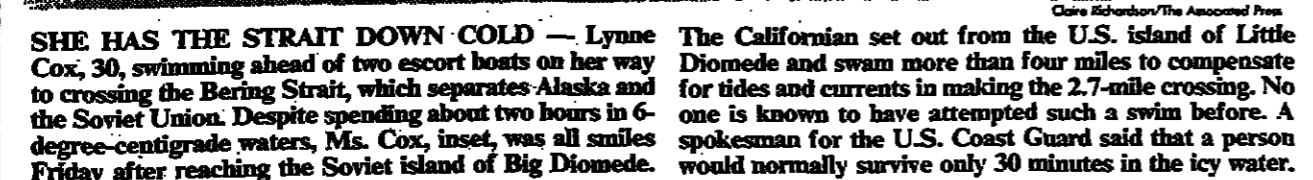
Pentagon Clears Japan Firms

New York Times Service

NEW YORK — The Defense Department, in an unusual move, has said its officials had no knowledge of high-technology diversions involving the NEC Corp., Mitsubishi Heavy Industries or Sumitomo Heavy Industries.

All three companies have been named in news reports in Japan in the last week, after a Japanese newspaper, drawing on an interview with Stephen D. Bryen, who heads the Pentagon's export control office, quoted Mr. Bryen as alluding to the companies. In its statement on Friday, the Pentagon said Mr. Bryen had been misquoted.

NEC has strongly denied it engaged in any diversions.



SHE HAS THE STRAIT DOWN COLD — Lynne Cox, 30, swimming ahead of two escort boats on her way to crossing the Bering Strait, which separates Alaska and the Soviet Union. Despite spending about two hours in 6-degree-centigrade waters, Ms. Cox, inset, was all smiles Friday after reaching the Soviet island of Big Diomedes.

Pretoria Says It Will Negotiate on Namibia

By John D. Battersby
New York Times Service

CAPE TOWN — The South African government, having reopened security talks with Mozambique after a two-year lapse, now appears ready to negotiate with Angola and Cuba on withdrawing Cuban troops from Angola and an independence settlement in South African-ruled South-West Africa.

Neil P. van Heerden, the director-general of the Department of Foreign Affairs, said that South Africa would talk to any party involved in the issue of independence for South-West Africa, or Namibia.

He said that included Cuba, Angola and the South-West Africa People's Organization, or SWAPO, the guerrilla organization that has been fighting for independence for 21 years.

But he said he doubted whether Soviet commitments in Angola would allow the Angolan government much "leeway to negotiate."

Mr. van Heerden took part in ministerial talks last week with Mozambicans that led to a revival of a nonaggression pact agreed upon in 1984.

President José Eduardo dos Santos of Angola said in late July that he was prepared to be more flexible over the partial withdrawal of an estimated 35,000 Cuban troops in his country in return for independence of South-West Africa, the withdrawal of South African troops from Angola and an end to U.S. aid to anti-government rebels.

The Angolan rebels are backed by South Africa and receive \$15 million a year in military aid from the United States. Both the United States and South Africa have linked any progress toward Namibian independence to the withdrawal of Cuban troops from Angola.

Talks between the U.S. assistant secretary of state for African affairs, Chester A. Crocker, and Mr. Dos Santos ended abruptly last month, with Mr. Crocker calling them "a waste of time." But Mr. Dos Santos has since extended an offer to Pretoria of four-way talks with South Africa, Cuba and the Namibian rebels.

Mr. van Heerden said that the breakdown in talks between Angola and the United States would not prevent further contacts between Pretoria and Angola.

Brazil Boosts Angolan Oil Imports

By Juan de Onis
International Herald Tribune

RIO DE JANEIRO — Brazil has signed an agreement with Angola to increase oil purchases, further strengthening its ties with black Africa.

An economic agreement reached in Rio de Janeiro last week will double Brazilian oil imports from Angola to 20,000 barrels a day.

For its part, Brazil will extend a \$100 million line of credit to finance Angolan imports of Brazilian manufactured goods, it was announced.

raised concern over oil supplies from that region. Brazil is importing 235,000 barrels a day from Iraq, Saudi Arabia, Kuwait and Qatar.

The deal with Angola, reached during a visit to Rio last week by Pedro de Castro Van Dunem, the Angolan minister of production, had political as well as economic significance for two countries that have historic and ethnic ties as former Portuguese colonies.

Today, Brazil is an industrialized country that exports manufactured goods, including arms, and has contractors with international experience building highways, dams and railroads. Angola depends heavily on oil exports.

"Brazil has been asleep toward

Africa," said Mr. Van Dunem before flying home to Luanda. "It is time Brazil began to invest in Africa as a contribution to its own development."

The Angolan minister delivered an invitation to President José Sarney to visit Angola, a "front-line" African country that has accepted Cuban military involvement in its hostilities with the South Africa-backed UNITA rebels.

Brazilian press accounts, which could not be officially confirmed, said Mr. Van Dunem had also discussed the purchase of Brazilian armored vehicles.

Mr. Van Dunem signed an agreement for Brazilian teachers and health technicians to go to Angola.

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Ally, Fearing Terrorism, Exclude Iranian Officials From West Berlin

BERLIN — The Western allies barred a number of Iranian diplomats and other officials from West Berlin over the weekend against a backdrop of growing concern that U.S. involvement in the Middle East could provoke guerrilla attacks.

Just over a year ago a bomb killed three persons and injured more than 200 in the La Belle discotheque, a popular meeting place for members of the 6,000-strong U.S. military contingent in Berlin.

CONVOY: U.S. Cites Support

(Continued from Page 1) Mr. McFarlane's reference was to the possible rescue attempt. According to the notes, Mr. McFarlane said at the luncheon meeting that after Mr. Weir's release, the hostage release program was "not going anywhere."

RESCUE: Initial U.S. Efforts in Iran Included a Counterterrorism Plan

(Continued from Page 1) Mr. McFarlane's reference was to the possible rescue attempt. According to the notes, Mr. McFarlane said at the luncheon meeting that after Mr. Weir's release, the hostage release program was "not going anywhere."

The military rescue option was considered in June 1986, immediately after a delegation to Tehran headed by Mr. McFarlane delivered a partial shipment of Hawk antiaircraft missile parts but failed to secure the release of the remaining U.S. hostages.

OPTIONS: U.S. Ponders Responses to a Raid by Iran

(Continued from Page 1) an coastal targets. Marine artillery specialists could be slipped ashore to direct the gunfire, so there would be no repetition of the failure to hit most targets in Lebanon in 1983.

But the mission would be difficult. The Strait of Hormuz is half-way around the world from the United States. U.S. armed forces lack air and sea transport to sustain a flow of troops, weapons and supplies, and the United States lacks bases, communications and water supplies in the region.

CHILE: Many Look Twice

(Continued from Page 1) market economic policies continue, whatever the government. Mr. Ayala said he was confident that the military intended to keep its word and gradually return Chile to democracy.

PARIS: The Big Guns Stay Home

(Continued from Page 1) Sissinghurst Castle, white at V. Sackville-West's prize garden through dark glasses, the publishing trade is already hyping its autumn lists.

CHILE: Chile Politician Seeks Free Vote

(Continued from Page 1) MADRID — Patricio Aylwin, the newly elected leader of the main Chilean opposition party, the Christian Democrats, says he is seeking talks with his country's military rulers to bring about democratic elections.

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CHAD: Town Recaptured

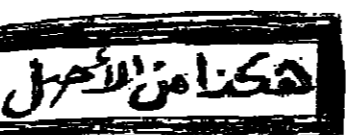
(Continued from Page 1) could be used to launch attacks against Chad. Military observers said Chad would probably not be able to retain total control of the region until the Libyan base, guarded by several thousand troops, was conquered.

ARMS: Soviet Puts Missile on Rail Cars, U.S. Aides Say

(Continued from Page 1) der the treaty's limit on land-based missiles with mobile warheads. The United States ceased observing the SALT-2 treaty late in 1986 in response to alleged Soviet violations of other treaty provisions.

Small advertisement for International Herald Tribune.

Large advertisement for Escorts & Guides, International Classified, and Regency NY, listing various travel services.



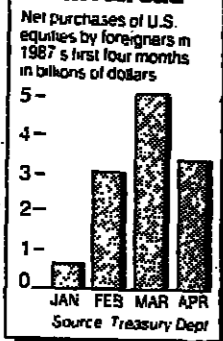
PERSONAL INVESTING

FOCUS

New Buyers In an Old Rally

AUGUST has become a month of reflection for Wall Street in recent years. With the bull market in U.S. stocks five years old this month, the time seems unusually appropriate for asking the agonizing question of how much longer the good times will roll.

The debate has a familiar ring to it. Media pundits worry that stock prices are running far ahead of economic reality. Brokerages issue reams of upbeat reports to reassure doubters. And some investors dabble in gold, just in case.



The concern is understandable. Nothing lasts forever. And this particular rally has served investors well. In the past 12 months alone, it has weathered growing indications of a strong economy, inflationary pressures, a weakening currency and uncertain political prospects associated with an ongoing administration that has been wounded by scandal.

Still, the Dow Jones industrial average has climbed more than 30 percent since the start of the year. And the outlook remains favorable. As investment strategists celebrate the bull market's traditional August anniversary, many believe most of the good times are behind us, but are far from over.

Strong corporate earnings, experts say, will sustain the rally. The dollar's decline has not only improved the export capabilities of U.S. manufacturers, but also forced American industry to go through a painful restructuring. Now, that the dollar's fall has slowed, so the argument goes, U.S. companies are about to reap the benefits of a newfound competitiveness.

EQUALLY important, however, is the willingness of foreign investors to accept this reasoning. Since Jan. 1, their presence has become an increasingly important element in supporting the stock market.

Even though the degree of foreign influence is nowhere near the dominance it achieved in Europe in 1985 when Continental houses were propelled to record levels and then abandoned, a growing number of American analysts believe their participation in the market could make the difference in the months to come.

"It's critical in sustaining the rally," says Steven Einhorn, chief investment strategist at Goldman, Sachs & Co.

Adds John Conlon, head of equity research and trading in New York for Nikko Securities, one of the big four Japanese brokers: "There's no doubt that it's a new part in the equation."

Foreign investors turned lukewarm to U.S. stocks toward the end of last year — net purchases totaled \$400 million in the final quarter, a paltry sum compared to \$4.7 billion in the previous three months, according to the U.S. Treasury Department.

Opinions changed in 1987, however. Prospects of better earnings, more reasonable price-earnings multiples and a general feeling that the dollar's long decline has just about run its course apparently rekindled faith in the U.S. market.

Net purchases of stocks jumped to a record \$9.8 billion in the first quarter. In fact, foreigners were bigger investors than U.S. pension funds, traditionally the market's mainstay.

By far, Japan has been the biggest source of funds, accounting for more than a third of the first quarter total. Japanese investors have grown wary of their huge holdings in U.S. Treasury bonds and have turned increasingly to equities, a process that shows no signs of slowing.

YET the Japanese, after some concern about the dollar's shakiness in April, poured another \$2 billion to \$3 billion into U.S. stocks in June, according to preliminary data compiled by the Ministry of Finance in Tokyo. Moreover, Nikko's Mr. Conlon says he recently has noticed more cash-rich Japanese institutions entering the U.S. market.

Of course, if the dollar resumes a downward spiral, the Japanese will have second thoughts. But a more immediate concern may be the health of the Tokyo Stock Exchange. The market is already displaying signs of fatigue, and a number of analysts fear that a sharp correction could soon unnerve Japanese institutions that they would quickly try to raise cash by selling stocks in New York, as well as Tokyo, a move that could trigger the end.

"If the Tokyo market were to crack open," says Goldman's Mr. Einhorn, "the effect in New York could only be bad."

John Meehan

UPDATE

Gold Strategy

FINDING value in gold stocks is getting tough. Earlier in the year, investors bought up shares in gold-mining companies in the United States, Canada, Australia and South Africa as a hedge against the widely perceived risks in the stock and bond markets (Personal Investing, April 13). Such popularity drove prices beyond sensible levels, prompting some portfolio strategists to recommend gold coins instead.

But Jack Jones, a Phillips & Drew analyst in London, says it is premature to abandon the sector entirely. He believes gold prices will reach \$500 an ounce by the end of the year as the metal continues the gentle climb that began in 1985. "The downside risk is less than 25 percent," he says.

Mr. Jones acknowledges that many of the established gold mines remain overvalued despite a selloff of a couple of months ago. Instead, he says, investors should hunt for gold-mining companies that are expanding operations. Increased production, he argues, is bound to translate into bigger earnings as cheap gold prices rise. "Each market has its own cheap [gold] stocks," he says. Mr. Jones cites Newmont Mining in the United States as a good example. "It is tremendously undervalued." In Australia, he likes Placer Pacific.

Wine Investors Cautiously Await the Harvest

A modest crop of quality would help restore interest in a shaky market

By Jacques Neher

IT is still two months before the lush vineyards at Chateau Margaux will yield the first drops of wine for vintage 1987, but Paul Pontalier, the 31-year-old manager of the estate, already can promise at least one thing: There will be less of it than last year.

The heavy and constant rains of June, he explains, pointing to clusters of unripened, green merlot grapes, affected the flowering of the vines. The result was *couleur*, a malady whereby unpollinated grapes do not develop and simply fall off the vine.

Still, it could have been worse. "We were quite afraid in June that the rains would cause *millerandage*," says Mr. Pontalier, who holds a doctorate in oenology, or wine making. He is referring to another condition in which the grapes still develop, but without seeds and therefore do not mature correctly. "We were pleasantly surprised."

About 15 miles (24 kilometers) down the road in the prime Medoc region, Philippe Cottin, who has run Chateau Mouton-Rothschild's wine-making operation for the past 30 years, concurs with his young competitor, although he is more philosophical.

"In 1985 and 1986, we had too large a vintage," Mr. Cottin says. "If we had another one in 1987, the vines might have suffered. So God made us lose some quantity. We have to accept Mother Nature."

Accepting Mother Nature will be difficult for wine connoisseurs. Some experts believe this year's wine production could be between 20 percent and 30 percent smaller than last year's. Prices are bound to rise. But it is perhaps the cheeriest news that investors in about 25 investment-grade Bordeaux wines have had in long time.

For the past few years, the wine market has been reeling from a combination of an oversupply of very good wine and a weakening dollar that has all but dried up American interest in wine investments. Decanter magazine's index of auction prices for 60 Bordeaux wines climbed only 11 percent last year compared with 33 percent and 23 percent in 1985 and 1984, respectively. So far this year, the index has risen less than 5 percent.

Most of the chateaux producing investment-grade wines a few months ago were forced to roll back prices between 10 percent and 15 percent on their 1986 vintage, even though some believe that vintage may be among the best of the decade.

Ed Mouton-Rothschild and Margaux, both classified as *premier grand cru*, or first growths, their 10 percent price reductions to the *negociant* or broker, meant a drop to 180 francs (\$30) a bottle, from 200 francs last year on the 1985 vintage.

"In dollar terms, the 10 percent reduction will represent an increase, but for such a great vintage, that was a lot," says Corinne Mentzelopoulos-Petit, who manages the business affairs of Chateau Margaux, which her family bought 10 years ago. She said Margaux and the other first growths did not need to cut prices, but did so in consideration of the American

Continued On Page 8



BORDEAUX:

Paul Pontalier, estate manager at Chateau Margaux, inspects clusters of merlot grapes that will be pressed, fermented and blended.

California Comes Alive

By Alex Barnum

YEARS of hard work, determined marketing and a lot of inventive talent in the vineyards went into convincing consumers of the quality of California wine. But in the end, it took the legislature in Sacramento to transform it into an investment opportunity.

Up until last year, the Alcoholic Beverage Control Act, a relic of Prohibition, virtually outlawed a secondary market in California wine by making it illegal for individual collectors to resell bottles of wine. In fact, only when collectors died could auction houses and wine merchants dispose of collections.

California lawmakers, under pressure from the wine industry and excited by the prospect of new tax revenue, decided to ease the restrictions in 1986. Now, individuals can sell white or sparkling wines that are at least five years old and red wines that are 10 years or older. The age minimums exist so that consumers do not compete with the wholesale and retail business.

The revised law has already transformed avid collectors into investors, while creating a brisk business for vintage wine retailers and auction houses. The law specifies that wine can only be resold to licensed brokers, who are more than eager to earn commissions. This year, Butterfield & Butterfield Auctioneers in San Francisco will hold six major wine auctions, compared with half that many a few years ago.

"People are cashing in a lot of their older wines," says Stephen Gilbertson, general manager of Draper & Esquin Wine Merchants in San Francisco. As many as 20 collectors a week have flooded his office with lists of their collections and have asked the company to market them.

Still, investors should keep in mind that the market, while improving, remains narrow when compared with that for Bordeaux wines.

Although California wines have gained acceptability in Europe since they were introduced there in the mid-1970s, foreign investors and collectors still regard them as little more than a curiosity, says Robert Parker, editor of *The Wine Advocate*, a Parkton, Maryland, newsletter that tracks the wine industry.

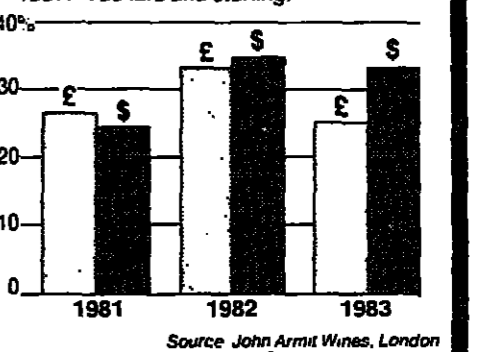
"With the English, the Americans are sort of the Johnny-come-latelies," and expensive ones at that, Mr. Parker says. But in France, he adds, "the competition is so enormous that they can't do well."

Indeed, California wines even have trouble infiltrating Europe since they were introduced there in the mid-1970s, foreign investors and collectors still regard them as little more than a curiosity, says Robert Parker, editor of *The Wine Advocate*, a Parkton, Maryland, newsletter that tracks the wine industry.

Continued On Page 8

Three Vintage Years

Annualized returns on 100 cases of classed Bordeaux wines as of July 1987, in dollars and sterling.



NAPA VALLEY: Bernard L. Rhodes, proprietor of Heitz vineyards's Bella Oaks label, checks a wine's clarity and color.

FUNDS

Two Ways to Play the China Card

By Patrick L. Smith

FOR centuries, adventurous foreigners have viewed China as a land of vast commercial opportunity. Translating that view into an investment strategy, however, is not much easier now than in the past.

A weak economic infrastructure, a confounding bureaucracy, the nagging issue of political succession and a vulnerable modernization policy promoted by Deng Xiaoping are just a few of the uncertainties.

No one is more aware of the difficulties of playing the China card than Jonathan L. Compton, managing director in Hong Kong for Baring International Investment Management Ltd., and David Harding, a director of Thornton Management (Asia) Ltd. Both men guide investment vehicles whose primary goal is to find ways to

'Along with Brazil, China is possibly the last home of the real cowboys.'

—David Harding

cash in on China's ambitious development plans.

"What excited us was the very significant shift China has made in its approach to managing enterprises," says Mr. Compton, referring to the rise of privately owned businesses and increased autonomy for state-owned enterprises. "And we still believe this is the most important development in Asia right now."

Reflecting such bullishness, Mr. Compton set

up the China & Eastern Investment Co. in late 1985. Listed in London and, since last January, in Hong Kong, the investment trust enables investors to participate in direct equity positions in mainland enterprises.

So far, Mr. Compton has bought into seven such ventures, ranging from a foie gras farm in Guangdong Province to a granite quarry, a trading company, a film production unit and a safe-manufacturing concern.

It is not, Mr. Compton acknowledges, an approach recommended for the overly cautious. In his first few months of operation, hundreds of would-be partners trooped through his office with entrepreneurial proposals that can only be described as oddball.

These ranged from hotel investments and massive mining projects, Mr. Compton says, to some "very weird import-export ideas." One would-be entrepreneur offered China & Eastern exclusive rights to the mainland's copper exports, for instance, in exchange for a few million dollars of investment in a proposed smelting operation.

"I've learned that along with Brazil, China is possibly the last home of the real cowboys," the 31-year-old fund manager muses.

Mr. Harding has taken a somewhat different approach. The Hong Kong and China Gateway Fund, launched in March 1985, is a unit trust intended to focus on foreign companies positioned to benefit from China's economic development either through trade or participation in mainland projects.

"There's no such thing as a direct play on China," Mr. Harding, 26, says. "Even if you could invest directly, it's far too early to do so."

The Thornton and Baring strategies are not, however, miles apart. For one thing, Mr. Harding has just invested about 3 percent of the Gateway fund in Rockhaven, China & Eastern's duck and goose pâté farm, as part of a refinancing that Mr. Compton completed in June.

For another, both operations took roughly the same approach in their earlier days. Reflecting the consumer boom that swept the mainland several years ago, Mr. Compton and Mr. Harding

The Continuing Boom in New Issues. Page 10

This copy of a Norman Rockwell painting is sold by Xerart, the best-performing new issue of 1987's first half.

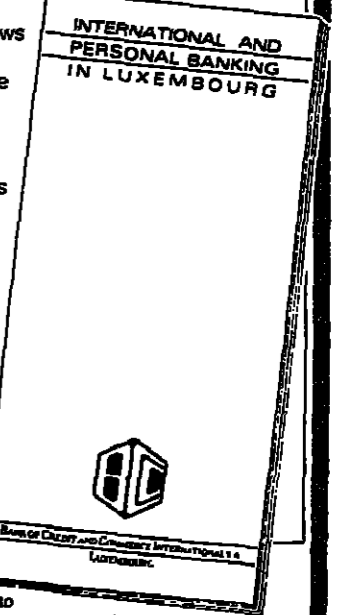


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Wine: A Glut and a Weak Dollar Have Eroded Returns

A new California law eases the rules on reselling wine

Continued From Page 7

trating markets in the United States. Major cities along the East Coast, like New York, are actually larger consumers of French wines, Mr. Parker says. But this phenomenon is cyclical and fluctuates with the changing exchange rates. Currently, "the market is definitely soft for French wines" and American collectors and investors are staying closer to home, he says.

Although brokers are constantly on the lookout for great vintages, only a handful of California vineyards have consistently produced widely recognized, investment-grade wine. The classic success story is the 1951 Beaulieu Vineyard Georges de Latour Private Reserve. The wine sold at a Butterfield auction in June for \$935 a bottle, the most ever paid at the auction house for a bottle of California wine.

"It may be the best California wine ever made," says Dr. B.L. Rhodes, proprietor of Heitz's Bella Oaks label and a well-known collector, who recalls buying the wine at \$15 a case in the 1950s. Vintages in 1951 and 1958, he notes, were exceptional for Beaulieu Vineyard, Inglenook, Louis Martini and Charles Krug, "the four mainstays of the California market."

The highest price anyone can recall for a California wine was \$2,100, paid in 1983 for a bottle of 1936 Beaulieu Vineyard Private Reserve. By contrast, the record for a French wine was \$148,000, paid by Forbes magazine for a

bottle of 1787 Château Lafite believed to have been ordered by Thomas Jefferson.

Except for a few Chardonnays from vineyards such as Sonoma-Cutter and Stony Hill, wines made from Cabernet Sauvignon, the same grape used in Bordeaux, are the only ones considered worthy of investment.

A study of 300 Cabernets from 26 premium California wineries by George Schofield, a wine industry consultant, found the overall average annual rate of return on wines made between 1968 and 1981 was 19.3 percent. While prices for wines up to seven years old performed below average, prices for wines more than seven years old rose substantially faster.

Still, collectors and investors have been taking greater interest in younger wines lately now that the revised law has uncorked a new supply of older wines and softened their prices.

Mr. Schofield has launched one of California's most innovative wine investment programs. This year, he plans to buy 1983 Cabernet as it comes out of the casks at eight selected California vineyards and age them until 1993 in a humidity-controlled warehouse.

In this "wine aging program," Mr. Schofield offers investors 80-case units — 10 cases of each of the eight wines — at \$11,000 a piece. When they mature, investors can take delivery, sell the wine back to Mr. Schofield at an agreed-upon price or have him broker the wine elsewhere.

"I view this as a mutual fund of



Warren Winiarski, owner of Stag's Leap Vineyard, among the casks.

wines," Mr. Schofield explains. The selection includes some old standards like Robert Mondavi and Beaulieu Vineyards and some quality upstarts like Clos du Val and Chappellet Vineyards.

Meanwhile, Robert Mondavi last March became the first large vineyard to start a more traditional wine futures program by offering 10 percent of its 1985 and 1986 Napa Valley Cabernet Sauvignon Private Reserve to investors before it is bottled.

Some wine experts have taken a dim view of some of the recent programs, especially when they involve big, well-known vineyards. Many of these wines, they caution, will be widely available at release

time. Mr. Parker of the Wine Advocate goes even further. None of the futures programs, he says, are attractive enough for investors because of the relatively narrow market for California wine. "There is a glut of fine wines in the market," he says. "You just don't have enough demand for these wines" to justify investing money in a futures program.

For some, futures contracts offered by California's small vineyards are more alluring. The risk, of course, is greater. Like buying stock in a start-up company, an investor can never be sure that a new vineyard will be around next year. And the industry is still finding out how well these wines age.

The number of wineries in Napa Valley alone has blossomed to 155 this year from 65 only seven years ago, the Napa Valley Vintners Association says. More than three quarters of them make a Cabernet and many of those Cabernets, according to wine collectors, are good quality and in extremely short supply.

Stag's Leap Vineyard, founded in 1971 by Warren Winiarski, offered a futures program to London investors in 1985. Other small vineyards have made similar offerings.

Draper & Esquin's Mr. Gilbertson also recommends lesser known vineyards, such as Laurel Glenn and Spottswoode.

Bordeaux growers even cut prices

Continued From Page 7

market and as "a gesture that we were willing to share lesser margins with the négociant."

Slightly older wines also are feeling the effects of the unstable market at the auction block. Michael Broadbent, wine division manager at Christie's in London, recalls that two years ago a 12-bottle case of 1982 Lafite sold from around \$520 (\$832) to \$700. In recent auctions it has fetched between \$500 and \$560.

Cases of 1982 Margaux have been averaging from \$390 to \$420, significantly lower than in 1985 when a case could go for between \$560 and \$660.

In a way, Bordeaux has become a victim of its own success.

"We've had a series of excellent and plentiful vintages, with only two off years out of the last 10," says Mr. Cottin of Mouton-Rothschild. "That's exceptional."

Moreover, an effort by châteaux owners to maintain price growth in defiance of the mounting oversupply situation exacerbated the market's problems. Many châteaux, mostly producers of the lower or middle ranges of the classified Bordeaux wines, engaged in a game of price leaping, between 1983 and 1985. Négociants compounded the problem in 1985 by deciding to increase their margins, resulting in still higher prices.

Then came the dollar's plunge. Americans, who consume perhaps a third of Bordeaux's output and have been an increasingly powerful force in the wine market, began turning away from wine investments as the dollar dropped from around 10 francs in early 1985 to about 6.25 francs at present.

Dennis Overstreet, owner of the Wine Merchant in Beverly Hills, California, says there has been little interest this summer in 1986 Bordeaux futures contracts for wine to be delivered two years later. "It's all ho hum," Mr. Overstreet says. "Last year we got a lot of phone calls before the futures were even offered. I haven't seen that enthusiasm this time around."

Even 15 percent price reductions from Bordeaux have failed to rekindle interest largely because the dollar's decline in the past year has wiped out any benefits.

At the auction house, it is much the same story, according to Mr. Broadbent of Christie's. "Many buyers in the foreseeable future, at least until the market can absorb all the good wine currently in the pipeline,"

"The best scenario is that the

Staying Abreast of the Market

There are scores of publications on wine, but here are a few of the better known sources of information.

The Wine Advocate, P.O. Box 331, Parkton, Maryland 21111. This is the newsletter of Robert Parker, probably the most influential commentator on wine and the author of a recent book on Bordeaux. The newsletter is published six times a year and rates as many as a few hundred wines in every issue. U.S. subscriptions are \$28 a year, and foreign airmail subscriptions are \$50.

The Wine Spectator, 400 East 51st Street, New York 10022. This colorful tabloid, which is published twice a month, reviews wines and features interviews with industry personalities. U.S. subscriptions are \$30 a year. A six-month trial subscription cost \$11.95. Foreign subscriptions are \$75.

Decanter, 2-10 St. Johns Road, London SW11. This established British monthly reviews wines and spirits. It also features recipes and interviews with connoisseurs. Subscriptions are £24 in the United Kingdom, £33 in Europe. An U.S. airmail subscription is £60.

The Wine Journal, 4157 Banyon, Seal Beach, California 90740. This monthly newsletter features regular reports on the status of older vintages and reviews of wines before they are bottled. A U.S. subscription is \$48 a year, and foreign airmail subscriptions are \$58.

Two years ago, he says, Americans comprised more than a third of the buyers.

And despite the relative stability of the U.S. currency in recent weeks, experts still advise dollar-based investors to remain wary. "I understand the Americans' feelings," says John Armit, president of John Armit Investments Ltd. in London. "It's go very easy if I was dollar-based."

As for investors based in other currencies, Mr. Armit believes 1986 wine from certain châteaux could show nice returns four to six years from now, despite the market's current instability.

His buy list includes Mouton-Rothschild, Margaux, Haut-Brion among the first growths; Léoville Barton, Pichon Lalande and Cos d'Estournel among the second growths; third-growth La Lagune; Ausone of St. Emilion; and La Fleur, Canon-de-May and Vieux Chateau Certan, of the Pomerol region.

The list is largely in accordance with the preview ratings given the 1986 vintage by Robert Parker, a leading wine expert, in his newsletter, *The Wine Advocate*. Mr. Parker also gives high ratings to Pétrus, L'Arrosée, Beychevelle, Canon, Chambert Marbuzet, Cheval Blanc, Ducru-Beaucailou, L'Eglise Clinet, Figeac, Grand-Larose, D'Issan, Léoville-Las-Cases, Lynch-Bages, La Mission-Haut-Brion, Montrose, Poujeaux, Sociando Mallet and Talbot.

Still, most wine market experts acknowledge that the boom days are over for investment grade wines in the foreseeable future, at least until the market can absorb all the good wine currently in the pipeline.

"The best scenario is that the

1986s will be sluggish and the 1987s will flatten out," says Mr. Broadbent of Christie's.

Not surprisingly, in the absence of a sharp resurgence in inflation, many growers and wine investors are counting on a diminished 1987 harvest to stabilize the market. If the wine yield is smaller, but of good quality, the market for 1987 vintages will be strong. If quality is lacking, however, demand for previous vintages will likely improve.

If the harvest proves bigger than expected, wine prices could suffer. In fact, a few experts admit to some concern over the possibility of a collapse in the market, as occurred in the early 1970s after a wave of panic-buying from investors trying to beat high inflation. The large-scale dumping that followed pushed prices down to bargain levels.

"The cracks are already in the eye," says Overstreet of *The Wine Merchant*. "If the dollar gets weaker and prices go up a little more, you'll see that market stagger and come apart."

Mr. Broadbent sees another potential problem if wholesalers are forced to sell large stocks of 1985 or even 1983 vintage. "If the banks who lent money to these people see the value of their collateral going down, they may panic and call in those loans. There could be a stampede to sell wine and the bottom would fall out," he said.

But Mr. Armit is not buying either scenario. "The top 21 wines account for only 400,000 cases. There is more interest from Japan in top quality wines, while Switzerland and Germany remain strong markets. I can't believe there aren't at any time 400,000 people who wouldn't want to take at least one case."



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For Investors, Timing Is Key

THE timing of any investment is crucial and no more so than in the wine market. For the best returns, investors should enter the market at the earliest possible stage by purchasing wine futures from their local merchant.

A wine future is a contract that covers the purchase of a certain quantity of wine for future delivery, usually within one or two years. Merchants begin offering futures on wine that is still in the barrel — *en primeur* — in the spring after the châteaux have set their prices.

For example, investors who bought futures on 1985 Château Margaux when it went on sale in the spring of 1986 will be able to take delivery of the wine to be bottled later this fall or early in 1988. Of course, many others will never take delivery, having sold their contracts before the wine ever leaves the chateau.

The risk in futures is that the investor must buy before most professionals have had a chance to evaluate the vintage.

While significant appreciation does not usually begin until the wine comes to auction, about four years later, there are instances,

such as with the 1982 vintage, where many futures contract buyers can double their money by the time their wine is delivered.

Although there are emerging secondary markets for other French wines, such as red and white Burgundy and Champagne, Bordeaux has traditionally been considered the best available wine for investment because of its classification system, worldwide popularity and the fact that it improves with age.

Not all Bordeaux is investment-grade, however. Seasoned investors, as well as connoisseurs, limit purchases to relatively few of the 7,000 châteaux in the Bordeaux region. Traditionally, "first growth" wines from the top five — Lafite, Latour, Margaux, Mouton-Rothschild and Haut-Brion — have ensured high quality and good returns.

Some experts favor smaller châteaux that fall into the "second growth" category which produce substantially less than the 20,000 to 30,000 cases that big châteaux produce each year.

Wine investing takes lots of cash and patience. John Armit of John Armit Investments Ltd. in London seeks clients with at least \$35,000 and preferably more than

\$100,000 to spend. In any case, he says, that amount should never be borrowed and it should not represent more than 5 percent or 10 percent of a total investment portfolio. Most experts advise investors to buy between five and 10 cases as a minimum.

Moreover, the investor should be prepared to wait at least four to six years to maximize appreciation of the investment. "Wine is not a liquid investment," he says. "It takes time to sell in order to get the right price."

Transaction costs can be steep. Merchants such as Mr. Armit charge front-end commissions, ranging from 15 percent to 25 percent. And for investors not planning to drink their portfolio, there are sales costs to factor in.

Christie's, for example, charges the individual seller 10 percent of the hammer price as its commission, as well as 10 percent from the buyer.

Moreover, there are shipping and storage costs. Mr. Armit says his clients pay about £1 (\$1.60) a case for the wine to be shipped from Bordeaux to Britain and £3.50 a case each year for warehousing and insurance.

Jacques Neher

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BOURSES

Conflicting Signals for New Issues

By Phil Roosevelt

THE Xerart Corp. offered its shares to the public for the first time last April. The company had no sales, no earnings and still needed a complete market study. "We are very much a concept company," acknowledges Frank Pearson, president of the Markham, Ontario-based company.

But substance often takes a back seat to a good idea, especially where the stock market is concerned. On the U.S. over-the-counter market, the price of Xerart's stock more than doubled by June 30 to \$7.50, making it the top-performing initial public offering of 1987's first half.

So what is the concept? Fine art for everyone. Xerart (pronounced zero-art) produces detailed replicas of famous oil paintings, complete with raised brush strokes and oil-like surfaces, and expects to sell them to restaurants, hotels and the mass market for a retail price of between \$450 and \$900 each.

"You're bringing paintings out of museums and into people's living rooms," says Kenneth Gerbino, a Beverly Hills investment adviser who hailed Xerart as "Stock of the Month" in a June edition of his Investment Letter. "I usually don't write about companies with no sales or earnings, but I just love this one."

The market for initial public offerings has long attracted investors seeking winning concepts or undiscovered value, and recent times are no exception. In the first half of 1987, investors gobbled up about \$14.8 billion of stock in 308 IPOs in the United States, compared to \$8.5 billion in 283 IPOs during the same period a year earlier.

Some of the biggest were closed-end funds, including the biggest ever, the Nuveen Municipal Value Fund which raised \$1.5 billion in June on the New York Stock Exchange.

Whether the year-end tally will top last year's record \$22.4 billion is still a subject of debate among IPO specialists. The chief uncertainty, they say, is the outlook for Wall Street's bull market, which celebrates its fifth anniversary this month. While IPOs typically do well during rallies when investors' speculative appetites are whetted, they can fall fast during broad retreats, as last seen in 1983.

Norman Fosback, editor of the Fort Lauderdale-based newsletter New Issues, espouses the bullish case for IPOs, predicting that the broad market will climb 15 percent to 20 percent over the next six months. "I think this is an ideal time for individuals to look at IPOs," he says. "Individual interest will heat up as the bull market continues."

But Kevin Kimberlin, a vice president with the securities firm D.H. Blair in New York, is less sanguine. He predicts "a 400- to 500-point correction" in the Dow Jones industrial average, which could dry up investor interest, discourage companies from offering stock and clobber recently issued IPOs. "I think it's a time for extreme caution in IPOs," he says.

Indeed, there are some worrisome indications that the market's demand for new issues is slowing. Only 52 percent of the IPOs were trading above their offering price by June 30, down from 66 percent for the first half of 1986, says Susan Gallant, editor of Going Public: The IPO Reporter, a New York-based newsletter. Only 43 percent of the new crop outperformed the broad Standard & Poor's 500-stock index.

As a result, market participants say, investor enthusiasm for IPOs has dampened in recent weeks. "Many IPOs are getting a cool reception," says Thomas Weisel, a senior partner at San Francisco-based Montgomery Securities. "In order to get the deals done, underwriters are having to price the deals at substantial discounts."

While price reductions are a bane to companies, they can, of course, be a boon to investors with nerves for the fickle IPO market and time to shop around. "There are probably some good deals out there at prices significantly lower than what they might have been a few months ago," says Ms. Gallant.

THE FIRST HALF'S HOTTEST IPOs

The five best-performing initial public offerings, in the first half of 1987.

COMPANY	BUSINESS	ISSUE DATE	OPENING PRICE	PRICE JUNE 30
Xerart	Replicates oil painting	April 24	\$3.00	\$7.50
British Airways	Airline	Feb. 11	\$9.92	\$23.25
AMRE	Exterior home products	Feb. 26	\$16.00	\$31.00
Jetborne International	Aircraft support	May 20	\$3.75	\$6.68
Hospital Newspapers Group	Publishing	March 10	\$5.00	\$8.63

Certainly, there are plenty of choices for investors who want to take a crack at the growth potential of IPOs. While high-tech issues often are the most prominent because of their dazzling promises, there is a lot more interest these days in "basic salt-of-the-earth companies," says Mr. Kimberlin.

For example, he cites a company that his firm helped bring public this spring, Diversco of Spartanburg, North Carolina. The company, Mr. Kimberlin says, "leases" labor forces to major corporations in the southeastern part of the United States, producing substantial cost savings to clients. Offered at \$6 a share, it recently traded at around \$8.

Mr. Fosback of New Issues also counts some basic companies among his favorite IPOs, such as Timberland of Hampton, New Hampshire, a rapidly growing manufacturer of rugged footwear. That stock hit the market in June at \$14 and was recently trading at about \$15.

FINANCIAL services companies have also been well represented in this year's offering, though not all have fared well. The most prominent, American Express Co.'s offering of its Shearson Lehman Brothers brokerage subsidiary, came to market in May at the low end of the expected price range, \$35. The offering still proceeded slowly and recently the stock was trading at around \$28.

Of course, there may still be some good opportunities in technology-related issues. The most sensational new offering of the year, in fact, has been Aldus Corp., a computer software company whose PageMaker product plays a key role in the explosive new field of desktop publishing. Responding to investor demand, the stock's underwriters raised the offering price to \$20, from a planned range of \$14 to \$16, but the stock still jumped to \$35.75 just two hours after trading began on June 16. It is now trading at about \$30 a share.

This kind of phenomenon warms the hearts of so-called "flippers," professional traders who buy and sell IPOs during the first few days of trading. Often, the activity of flippers will drive up an IPO price by 5 percent or 10 percent within three days. But this kind of activity can be treacherous for the individual investor and, as a result, most experts counsel individuals to view IPOs as long-term investments.

"We think the best approach is to look for reasonably priced issues and hold them for a few years," says Mr. Fosback, adding that for most growing companies, a price-earnings ratio of about 20 is appropriate.

Many IPO companies, unlike Xerart, show established financial track records from their years as private entities. But even these companies rarely provide any information beyond a single prospectus; the investor does not have the benefit of comparing previous company documents.

"There's no way of seeing how well a company plans their business," says Alfred Kugel, president of Chicago-based Stein Roe Farnham's Discovery Fund of emerging growth companies. He recommends that investors with a bent for IPOs consider diversifying into as many as 10 issues in a range of industries.

In June, Mr. Kugel bought shares in ECAD, a leader in computer-aided design. The company went public June 10 at \$8.50, and then slipped below \$7.50. It was trading above \$8 last week. "It's been a bad market for small technology issues. But we think

it will improve." In fact, he believes ECAD's earnings will rise to 50 cents a share in 1988 from 37 cents this year.

He also likes Resource Engineering, a hazardous-waste management consultant that went public June 5 at \$11.50. It is now trading around \$15.

Aside from the investor's willingness to assume high risk, another basic consideration is the willingness of investors to hold small stocks during a long-term rally that has largely favored blue chips. "If you're going to invest in these stocks long term, you have to ask yourself, 'When are they going to come back in favor?'" says Mr. Kugel.

In addition, many experts urge potential investors in an IPO to examine the performance of other IPOs executed by the underwriter over the past 12 months or longer. A trend may emerge suggesting that the underwriter repeatedly overprices issues, which can boost the client companies' market value and the underwriter's fees but reduce investor's profit potential.

Ominously, perhaps, no IPO specialists queried recently were aware of any major IPOs on tap for later this summer. However, many expect AIDS-related stocks to emerge as a leading theme.

Chemistry in Frankfurt

By Gail Schares

THEY will never be glamour stocks, but a number of analysts believe that the big three West German chemical stocks are as alluring now as they will ever be.

Analysts and fund managers expect Bayer, BASF and Hoechst to outperform the market during the next 12 months by as much as 15 percent to 20 percent, despite a run-up in their prices since the beginning of the year.

"I put the chemical sector at the top end of the attractive list for the German market at the moment, especially if the dollar doesn't fall out of bed," says Nigel Ledebocq, investment manager at GT Fund Management in London.

David Eismore, an analyst at Phillips & Drew in London, agrees: "The chemical stocks will be one of the strongest, if not the best performing sector in Germany during the next six to 12 months."

Of course, not even one is convinced that chemical stocks will improve so dramatically. Some fund managers who bought chemical stocks during the past eight to 12 weeks have now left the market. But bargain prices continue to focus an unusual measure of attention on the traditionally staid chemical sector.

While the dollar's steep decline on currency markets took its toll on many export-oriented industries, the impact was severe in the chemical sector. During the past year, a strengthening Deutsche mark virtually wiped out export profitability. Moreover, the disenchantment with German shares in general in the first half proved especially punishing to the chemical sector.

Nowadays, chemical stocks are priced at 8 to 9.5 times estimated 1987 earnings, well below the German market average of between 14 and 15, and less than half that of international competitors, such as Dow Chemical and Du Pont. "They've reached a point where they're just too cheap," says Mark Quilliam, chemical stock analyst with Salomon Brothers in London.

The dollar's recent stability could change all that. And already there is talk of improved export income. "Everyone knows the strong Deutsche mark is the principle negative influence on these companies right now. If the dollar reaches a plateau, the turnaround in investor sentiment could be quite rapid," Mr. Quilliam says.

The stable outlook for the German economy is another encouraging factor, with some analysts forecasting a growth rate of between 1.7 percent and 2 percent this year.

In the meantime, analysts are giving German chemical companies high marks for improved corporate strategies and balance sheets. After being battered by an industrywide recession in the early 1980s, Bayer, BASF and Hoechst have emerged

from a painful restructuring stronger and well-positioned for several years of steady growth, analysts say.

In general, the West German chemical giants have moved away from commodity and raw-material products, adding specialty products with wider profit margins. This diversification should make earnings less vulnerable to downturns in the economic cycle.

At the same time, Bayer, Hoechst and BASF have slashed financial debt and negative interest payments and turned in better-than-expected first-quarter performances for 1987. Meanwhile, demand for chemical products has defied the normal summer lull and remained strong, while capacity utilization is holding steady at a healthy 85 percent.

"The quality of earnings is better now," says Madeline Hall, manager of the European fund at Schroders Fund Management in London. "They will still be cyclical companies, but they are more protected."

ALTHOUGH the stock prices of Bayer, BASF and Hoechst generally move in tandem, most analysts and fund managers recommend Bayer as their top choice while citing its well-developed consumer product mix (over 30 percent) and strong pharmaceutical division. Bayer also is the least expensive of the big three, at about 8.4 times estimated 1987 earnings. Hoechst and BASF are both selling for about 9.5 times earnings.

Moreover, the introduction of three new cardiovascular drugs and an expanded sales force are expected to boost sales beginning in 1988. The new drugs alone are expected to contribute about 20 percent to total group profits by 1989.

The price of Bayer, which traded at a low of 265 DM in January, has risen more than 35 percent, thanks in part to the German market's recent strength. Pretax profits in the first quarter were up 3.2 percent at Bayer, but 1987 earnings are expected to dip slightly to 40 to 42 marks per share.

Analysts were divided on ranking Hoechst and BASF. Hoechst's future earnings are expected to benefit from the purchase earlier this year of Celanese, a diversified U.S. chemical firm specializing in fibers.

Hoechst's stock hit a low of 230 DM a share in January, but has made a strong advance since then. Pretax profits for the first quarter were up 5.7 percent, and analysts say 1987 per-share earnings will range from 29 to 31 DM.

BASF is favored as a short-term play. The company is expected to profit from rising oil prices, analysts say. But its heavier emphasis on raw material, bulk chemical and petrochemical products make it a riskier long-term investment.

BASF's stock hit a low of 240 DM at the end of January, but has made substantial gains since then. Pretax profits in the first quarter were up 3.2 percent, and analysts estimate 1987 earnings will be 28 to 34 DM a share.

FUNDS

How to Play the China Card

Continued From Page 7

begun by targeting Japanese companies — JVC, Hitachi, Sony and others — that could effectively extend mature product cycles by selling into China or relocating capital equipment there.

The other principal components for both China & Eastern and the Gateway fund were Hong Kong companies with strong prospects for the north. Mr. Compton notes Hopewell Holdings, a property developer, Burwill International, a commodities trader, China Light & Power, which sells about 15 percent of its output to the mainland, and Jardine Matheson, the diversified British "kong."

"As with any concept, you want to invest in what will benefit from it," Mr. Harding says. "It was clear to us that the way to play China was to buy Hong Kong."

Beijing's late-1985 clampdown on consumer imports and the resurgence of the Hong Kong market last year have altered the shape of both funds. As if in unison, Mr. Harding and Mr. Compton cashed out of the Tokyo market, at least partly, and focused still more heavily on Hong Kong.

In some respects, the Thornton fund is hardly distinguishable at the moment from any other Hong Kong unit trust: Properties account for almost half of Gateway's \$116 million portfolio, the hongs an additional quarter and local utilities about 8 percent.

Apart from his share in Rockhaven, however, Mr. Harding has also placed 8 percent of the Gateway fund in Chinavest NV, which is managed by the Orange Nassau investment group and has China-related holdings, and Tian An, a Hong Kong-listed developer with projects in Shanghai, Beijing, and several smaller mainland cities.

China or no China, the Gateway fund appreciated by 64 percent last year, its first full year of operation, compared with a 47 percent rise in the local Hang Seng Index. In this year's second quarter, the fund was



Richard Tompkins

Harding: There's no such thing as a direct play.

up 19 percent, beating the Hang Seng by two percentage points.

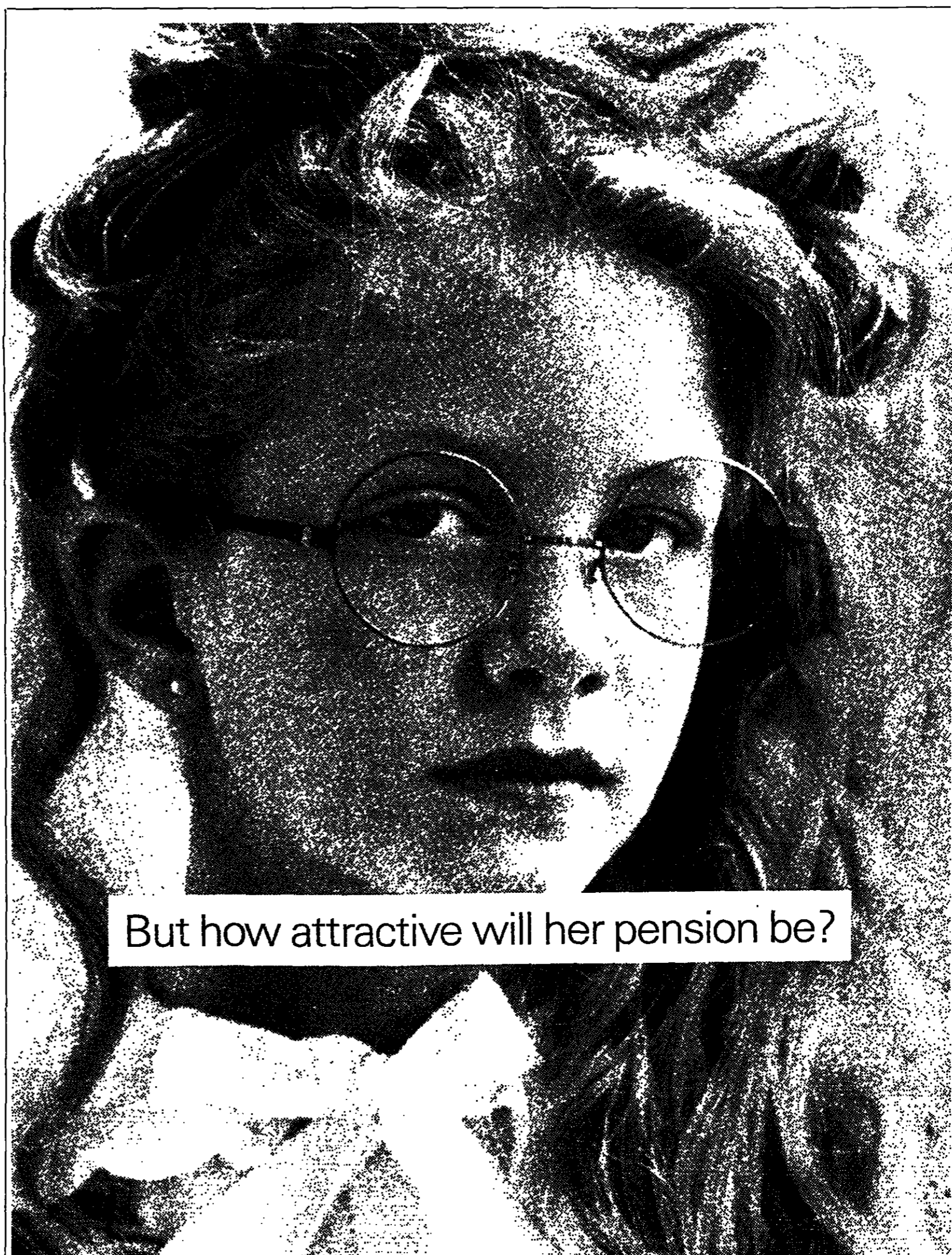
"The China angle looks like a gimmick when the Hong Kong market is running, as it is now," Mr. Harding acknowledges. "But we'll look much different as time goes on."

Similarly, China & Eastern's \$40 million in capital is about 70 percent invested in Hong Kong stocks and 15 percent in Japan. In both markets, however, the focus on China-related businesses is more pronounced. The rest is invested in unquoted mainland ventures.

"The important thing to remember is that the speed of change in China is still well ahead of people's perceptions," Mr. Compton says. Based chiefly on its quoted in-

vestments, China & Eastern was the best performing investment company listed in Britain last year. Issued at 92 cents, shares now have a net asset value of about \$2.45 each; they trade on the London Stock Exchange at roughly 140 pence (\$2.21).

China & Eastern's structure reflects the risk involved in its China stakes. As a quoted investment company with a fixed number of shares, the directors are able to operate within a stable pool of capital that will not shrink overnight if, say, a key reformist in China catches a cold. By contrast, a unit trust would have to sell assets to meet redemptions demand, which could pose problems if its holdings were not readily marketable.



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REAL ESTATE

A Modest Rebound In U.S. Farmland

By Cynthia Catterson

AGRICULTURAL property in the United States has hardly proved a hot investment in recent years as hundreds of farms failed amid a worldwide slump in commodity prices.

Lately, though, there are signs that the decline has slowed and almost halted in some areas, according to the U.S. Department of Agriculture and regional Federal Reserve Banks.

Not surprisingly, investors, some of whom are looking for places to stash their stock market profits, have taken an interest in farmland.

Mr. Sprenger, president of the Realtors Land Institute in Chicago, cites the owner of a parcel in northern Illinois who paid \$1,750 an acre for it last fall and recently turned down \$2,100 because he had already received a better offer.

But, as farmers know all too well, agricultural property still has its share of risks. "Poor crops, lower commodity prices and cuts in federal farm subsidy programs can rapidly deplete the investor's returns," explains Colin Halfwassen, president of Halfwassen & Associates, a real estate farm management firm in Champaign, Illinois.

Although there have been more transactions since the spring of this year than there were in the past few years combined, Mr. Sprenger says prices are still low. In inflation-adjusted terms, farmland prices are at their lowest level since 1965, according to the Agriculture Department.

"Buying farmland means being a bit of a contrarian. People have to look under the clouds and see that the fundamentals have improved enough to make an interesting investment," acknowledges Mr. Palen of AgriCapital, which has channeled about \$6 million into farmland since the company was founded in 1979, most of it in the last three years.

Land specialists note that values have fallen to the point where the returns on agricultural property are better than those on short-term money-market instruments. Prime farmland can yield as much as 10 percent annually,

while at the same time giving the investor the chance for a capital gain.

Aside from cash flow from crop sales, investors are finding that agricultural property sometimes has other attractions, such as oil, gas and water rights. Investors are also attracted by the notion of real estate as an inflation hedge and expectations that commodities prices may rise.

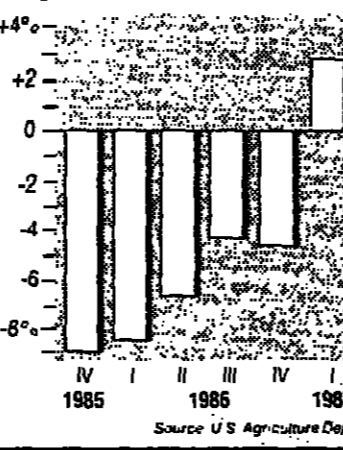
Though traditional buyers of farmland are wealthy farmers who plan to farm the parcel or lease it out, a growing number of limited partnerships have been organized for nonprofessional investors. A partnership organized by Mr. Palen's firm, for example, requires a minimum investment of \$10,000. AgriCapital takes care of all the details associated with managing the farm, from hiring the farmers to taking the crop to market.

Investors can choose how to structure their participation. The most profitable and popular arrangement is known as custom farming, in which the investors assume all the expenses and reap all the profits.

Simpler, less risky and less profitable agreements are cash leases and bushel leases. With cash leases, investors are not involved with the actual crops or proceeds and therefore have limited upside potential. They are merely investing for long-term appreciation of the farm property. With bushel leases, also known as

Turnaround in the Upper Midwest

Percent change in farmland prices by quarter in Minnesota, Iowa, Nebraska and Missouri. Excludes irrigated land and pasture



Source: U.S. Agriculture Dept.

crop share leases, investors share costs with the landowner and get a percentage of the crops. The only expenses they pay are property taxes.

Investing in farmland is a long-term commitment to an illiquid market. While many farmland experts are predicting dramatic increases in property values, they insist that investors have the patience of a farmer. The waiting period for big payoffs can be greater than 20 years, they say.

The Risk in Raw Land

While some investors are drawn to farmland, others have been tempted recently to buy limited partnerships in so-called raw land near urban areas. This is undeveloped property that is purchased by a syndicator with the intention of turning it over in two to five years to developers for apartments, offices, shopping centers or industrial parks.

The syndicators sometimes install water and electrical services and obtain zoning approval from local governments for potential development so that developers can simply buy and build.

Unlike farmland, raw land has not depreciated over the past few years. Investors are speculating that the property's value will increase substantially because it is near a growing city. "With raw land, you are investing in a hope and a prayer. It has nothing to do with current land values," says Elizabeth Roberts, president of Van Kasper Advisers, a San Francisco-based investment firm.

If the plan works, investors stand to make returns of 20 percent to 200 percent, say syndicators. Limited partnerships from established syndicators, such as The Heartland Group in Seattle and Bennett Consolidated in San Ramon, California, typically require a down payment of \$10,000 to \$15,000, with annual payments of about the same amount to cover taxes, interest payments and improvements. These payments continue until the

property is either sold or paid off. Other syndicators offer less costly shares.

The big risks are that the highway the investors expected to be built never materializes or that local authorities do not approve the parcel for development. One plan was thwarted because environmentalists found an endangered butterfly on the property.

Sometimes the urban sprawl just gives out. "Investors have to be extremely careful about how far out in the boon docks the land is," cautions Robert W. Fitzpatrick, president of Teachers Management & Investment Corp. in Newport Beach, California.

If plans go awry, raw land can turn into a raw deal. Investors' money can be tied up a long time in taxable property that earns no income. Ms. Roberts notes: "Raw land is to commercial property what high-risk growth stocks are to blue chips."

Alan Crittenden, a publisher of real estate newsletters, sees trouble ahead for these deals as housing starts taper off. "Last year predevelopment land was a great idea," he says. "But raw land deals rely heavily on a housing boom, which has already come and is on its way out."

Farmland seems a better bet, he says. "Investing in farmland now is like investing in housing in '82 to '83, when it was at its all-time low," he argues. "If farmland hasn't hit bottom yet, we're close enough."

Cynthia Catterson

STRATEGY

Betting On a Dollar Rebound

NEARLY two months of a fairly resilient dollar have convinced some U.S. currency investors that the U.S. currency has bottomed out. For dedicated dollar bulls, the introduction of 10 currency warrants on the American Stock Exchange offer an easy way to bet that the long-term trend will be upward.

Issued by the credit subsidiaries of blue-chip corporate names such as AT&T, General Electric and Ford Motor, the warrants all have the same form. For prices ranging from \$2.63 to \$4.38, each warrant allows the holder to buy \$50 of Deutsche marks or Japanese yen at a fixed exchange rate, called the strike price.

All the warrants expire in either June or July of 1992, and can be exercised in lots of 2,000. A minimum lot of warrants quoted at \$3.50 each would cost \$7,000.

The strike prices are set above prevailing exchange rates for the dollar at the time of the issue, though the dollar has already risen beyond the strike prices of some yen warrants. The terms of the warrants, as the underwriters acknowledge in the prospectuses, are not as attractive as those available to big institutions that play the foreign exchange markets. Individuals, in effect, pay extra for the convenience and simplicity of the instruments.

One attraction is that they are traded and quoted by a major exchange, unlike warrants issued in the over-the-counter market. The structure is also simpler than the currency options traded in Philadelphia and Chicago, which have multiple strike prices and expiration dates. Expiration dates on those options only extend for about a year.

Investors in the Amex's six yen warrants and four mark warrants are betting that at some point before expiration the dollar will be significantly higher than the strike prices. For the warrants to have value, the dollar must move far enough beyond the strike price to cover the cost of purchasing the warrant.

Calculating the exchange rate at which the purchaser would break even gives some indication of how long the odds are. For example, a week ago, General Electric's yen warrant, which carries a strike price of 149.7 yen to the dollar, was quoted at \$4.75. The dollar quoted

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in July.

Table with columns for GAINERS, LOSERS, Percent Gain, Price July 31, Percent Loss, Price July 31. Lists various stocks like Lamour Inc., McIntire Mines Ltd., Jim Walter Corp., etc.

American Stock Exchange

Table listing American Stock Exchange stocks and their prices, including Jacobs Engineering, Pauley Petroleum Inc., Cominco Limited, etc.

Over the Counter

Table listing over-the-counter stocks and their prices, including Interface Systems, Great Western Savings, Partisan Inc., etc.

London Stock Exchange

Table listing London Stock Exchange stocks and their prices, including Hill Samuel, Morgan Grenfell, Babcock International, etc.

Tokyo Stock Exchange

Table listing Tokyo Stock Exchange stocks and their prices, including TDK, Hirose Electric, Banyu Pharmaceutical, etc.

that day at 151.5 yen, just over the strike price.

Thus, the yen would have to weaken more than 8 percent — beyond 164 to the dollar — before a GE warrant purchased on Aug. 31 would have value. If the yen were to fall to 120 to the dollar, the warrant would be worth \$6.15.

So far, investor interest has centered on the yen warrants, says John Eberhardt of Bear, Stearns & Co., which underwrote the first four currency exchange warrants listed on the Amex. Media reports about world trade frictions have tended to focus on the U.S.-Japanese relationship, notes Mr. Eberhardt, so the "U.S. real investor is sensitized to the yen."

Another factor is that the mark's climb against the dollar has been more gradual than the yen's. Investors tend to be attracted to the more volatile currency since the odds seem better that it will appreciate the magnitude of being that will pay off.

William McBride

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PRIZE BREAKDOWN (Actual Sample of One Draw)

Table showing prize breakdown for a sample draw of Lotto 6/49, including 1st prize (\$13,890,588.00), 2nd prize (\$448,481.00), etc.

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Table showing different game plans and their costs, including 1 Game for \$45, 2 Games for \$90, etc.

CANADIAN OVERSEAS MARKETING ORDER FORM

Form for ordering Lotto 6/49 tickets, including fields for name, address, city, country, and payment method.

Form for providing payment details, including credit card number and signature.

When Troubled Companies Offer Rights

By John C. Boland

Baltimore

LAST month, the BancTexas Group, a Dallas-based holding company, completed a huge financial restructuring that swung its net worth from a negative \$98 million to a positive \$90 million.

The mechanics included a \$150 million infusion of capital from the Federal Deposit Insurance Corp., the forgiveness of substantial debt, and, perhaps most bewildering to the average investor, the use of a little-known financing technique called a rights offering which enables existing stockholders to purchase additional shares at a discount from the market price.

Rights offerings, popular in the 1930s and 1940s as a capital-raising tool, were used by utilities into the 1960s. But they had almost vanished until a group of British investors began using the concept here in financial rescue packages.

As applied by the Hallwood Group, a New York-based financial company controlled by European investors, rights deals are usually part of a last-ditch attempt to revive failing companies. In March, Hallwood acted as underwriter for a rights offering by the GCA Corp., a wobbly maker of equipment for semiconductor manufacturers.

In contrast to a \$50 million negative net worth on March 31, GCA recently reported positive equity of \$80 million, said Roger M. Barzun, its general counsel. Earlier

deals have helped resuscitate the Brook Hotel Corp. and, less successfully, Radiation Technology and Saxon Oil. "We've done six or seven over the last four years," says Robert M. Davies, a Hallwood executive vice president.

For shareholders, rights offerings present a puzzling array of choices, with little time for study. The huge prospectuses can be daunting. "You've got to be a fairly sophisticated investor to plow through a complex document," Mr. Davies said.

And as the dismal market action of Radiation Technology and Saxon Oil attests, a company's problems may not be solved by a one-time capital injection. Because of poor management or competitive problems, the company may weaken again as the cash fades. Thus an investor buying more shares may be throwing good money after bad.

Mr. Davies acknowledges a psychological hurdle to enticing existing shareholders to buy. "They've usually lost money by the time we get involved," he says. "And we go to them and say, 'We're going to revive this company, and how about putting up some more money and having another go?'"

If rights are not exercised, the underwriter and private investors it has lined up stand ready to buy leftover shares. For its efforts, Hallwood often gets part of the reorganized company — 14 percent of GCA, for example, and 12.5 percent of BancTexas.

One reason the investors confronted with rights offerings must act quickly is that the terms establish a price discrepancy — in ef-

fect, two prices for the same stock — that professionals rush to exploit. Especially in the rescue operation, the exercise price to buy shares via rights may be drastically lower than the prevailing price at which the common has been trading. This means that a rights holder can sell stock he owns and buy it back at a lower cost by exercising the rights.

When enough holders do this, the market price of the common is driven down toward the rights exercise price. As that happens, the value of the rights erodes, often approaching zero near expiration. With BancTexas, the decline was particularly swift.

ON June 15, BancTexas closed at 37.5 cents a share on the New York Stock Exchange. Rights traded separately, the common opened at about 10 cents. At their low, the shares traded at slightly more than 7.8 cents. The rights sank from a high of 12.5 cents to less than half a cent.

"The market does adjust," said Richard Brancher, corporate counsel at BancTexas. But for the average investor to recognize all the adjustments that might occur is a challenge. The BancTexas offering gave holders of each share six rights. But the rights exercise example in the prospectus said that each four rights entitled a holder to buy 24 shares at 7.5 cents each.

On July 20, the final step of the transaction took place — a massive reverse split under which holders received one new Banc-

Texas share in exchange for every 50 shares held previously or acquired by the rights. By mid-week the new stock was trading at \$3.75.

Investors who exercised the rights and rode through the confusion got a relatively undiluted stake in the company, acquired at 60 percent of the new book value of about \$5.40 a share.

Mr. Davies considers that attractive, adding that after major changes taken in 1987's first half, BancTexas boasts "strong financial reserves, a low-cost, turnkey system" and a balance sheet strengthened by an infusion from the FDIC equivalent to \$8.80 a share.

But participating in the restructuring required investors to put up new capital many times the value of their investment preceding the deal. The stock's high in the week ended June 12, just before the rights were issued, was 62.5 cents, which gave 1,000 shares a value of \$62.5. But to exercise all the rights received on 1,000 shares would have required a payment to the company of an additional \$2,700.

A holder who does not want to put up the extra money to exercise the rights should sell the stock before the rights are issued, brokers say. A BancTexas holder selling out in the week ended June 12, for example, might have got \$62.5 for 1,000 shares at the week's high or \$37.5 at the low.

By last week, an equivalent position could be bought for \$3.75, you're going to sell, do it fast," says a broker who played the BancTexas restructuring.

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TOSHIBA TO COMPUTER EQUIPMENT

MONDAY, AUGUST 10, 1987

Bank of England Sentence Punishes Sterling Sector

PARIS — Faced with a youthful criminal offender, British authorities often administer a short, sharp shock — such as a brief stay behind bars. On Thursday, the Bank of England meted out the equivalent restraint to the sterling market...

The British Chancellor Denied the Bank Rate Rise Signaled Poor Trade Figures Ahead

In the midst of all this confusion, the response from the sterling bond markets was unequivocal. With major British banks following the central bank's lead by boosting their base lending rates to 10 percent from 9 percent, prices of British government bonds and sterling Eurobonds plunged...

This trade news battered sterling, as it indicated both a large supply of pounds overseas and the need to lower the exchange rate to improve trade performance. At the same time, the belief that a lower pound would increase costs of imported goods...

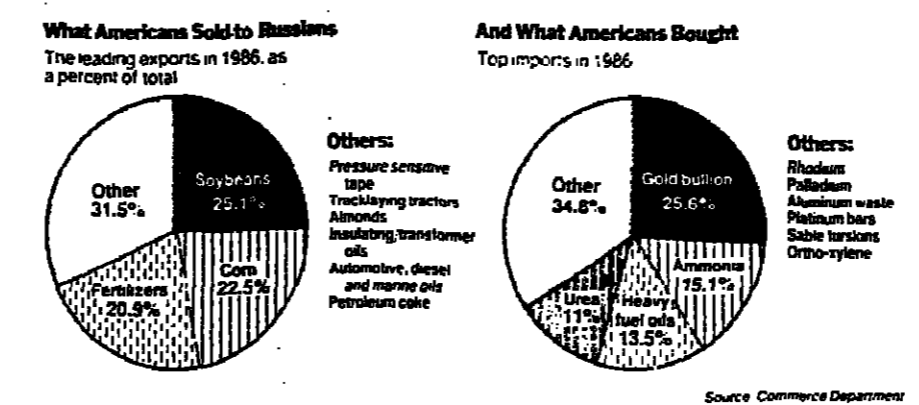
Mr. Lawson denied that the move was connected to the upcoming trade figures. Yet some British economists, taking the chancellor at his word, detect unsettling trends for the economy, and the sterling bond markets.

Ongpin Threatens To Resign Aide Says Manila Must Honor Debt

MANILA — Finance Secretary Jaime Ongpin has said he would resign if a law were passed repudiating part of the country's foreign debt. He said such a move could wreck the Philippine economy...

Mr. Ongpin faces a Senate hearing on debt on Monday. Senators have filed bills that would limit annual debt payments to 10 percent of commodity export earnings and suspend principal payments for three years...

The Flow of Goods Between the Soviet Union and the United States



Soviets Eagerly Eyeing U.S. Market But Their Manufactured Goods Face Obstacle Course

By Clyde H. Farnsworth, New York Times Service. WASHINGTON — The United States has just imposed a quota on some imports from a most unlikely country: the Soviet Union. Why? Because imports from the Russians in general are so small, totaling only \$601 million last year...



Washington has imposed a quota, despite its substantial surplus. In billions of dollars. The Soviet Union is eager to sell more manufactured goods to the United States for two reasons: It wants to earn more dollars to raise its sagging foreign currency reserves...

Caledonian Says It Will Pursue Merger With BA

LONDON — British Caledonian Airways has decided to stand by its agreement to merge with British Airways despite a government investigation that could block the transaction. British Caledonian's chairman, Sir Adam Thomson, has said...

García Says Bank Move Poses Political Threat

LIMA — President Alan García Pérez has acknowledged that pushing forward immediately with the nationalization of Peru's private banks and financial firms could pose a threat to his government...

SEC Tries to Sharpen Definition of Insider Trading

WASHINGTON — The Securities and Exchange Commission, ending years of vagueness, has proposed a definition of insider trading. The agency proposed language for Congress to use in writing a law that would state precisely the circumstance under which it is illegal to use confidential information to profit from securities trading...

Currency Rates

Table with columns for currency, rate, and date. Includes CREAM RATES and OTHER DOLLAR VALUES.

Benz Bends on Rebates To Clear Cars in U.S.

WASHINGTON — It is not the sort of thing one would expect of Mercedes-Benz of North America, distributor of some of the most expensive and sought-after cars. Maybe that is why the company has made no public announcement...

Buchsbaum, Citing Threats, Drops Bid for Holly Sugar

LOS ANGELES — Michael Buchsbaum, former chairman of Holly Sugar Corp., has said that a series of death threats against him and his family led to the failure of his \$133 million bid to take over the company...

Kaufman Sees Rising Prices, Possible Recession in 1989

NEW YORK — Accelerating inflation in the United States could trigger a recession in 1989, according to Henry Kaufman, chief economist for the brokerage house Salomon Brothers and one of the most influential U.S. economic analysts...

Last Week's Markets

Table showing stock indices and money rates. Includes US Stock Indices, Money Rates, and Japan.

Singapore GDP Ahead 7.4%

SINGAPORE — Singapore's gross domestic product, adjusted for inflation, grew 7.4 percent in the second quarter of 1987, confirming the economy's recovery from a recession two years ago...

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Vertical text on the far left edge of the page, partially obscured.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel: 01-423-1277. Prices may vary according to market conditions and other factors.

Dollar Straights

Issuer	Can	Mat	Price	Yld	Spd	Trav
Alstom	12%	8/15	107.5	8.29	+27	
Aust Com Bk	11%	9/1	102.75	9.26	+29	
Aust Corp Bk	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	
Australia	11%	9/1	102.75	9.26	+29	

United States

Issuer	Can	Mat	Price	Yld	Spd	Trav
AT & T	9%	10/1	101.5	9.57	+77	
Aetna Life	7%	10/1	101.5	9.57	+77	
Amer Brands	7%	10/1	101.5	9.57	+77	
Amer Genl	7%	10/1	101.5	9.57	+77	
Belmont	7%	10/1	101.5	9.57	+77	
Belmont	7%	10/1	101.5	9.57	+77	
Belmont	7%	10/1	101.5	9.57	+77	
Belmont	7%	10/1	101.5	9.57	+77	
Belmont	7%	10/1	101.5	9.57	+77	

DM Straights

Issuer	Can	Mat	Price	Yld	Spd	Trav
Amro Bank	5%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	

DM Zero Coupons

Issuer	Can	Mat	Price	Yld	Spd	Trav
Amro Bank	5%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	

ECU Straights

Issuer	Can	Mat	Price	Yld	Spd	Trav
Amro Bank	5%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	
Austria	7%	9/25	102.5	6.28	+29	

Japan

Issuer	Can	Mat	Price	Yld	Spd	Trav
All Nippon Air	9%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	
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Bk of Tokyo	11%	9/1	104.5	9.04	+101	
Bk of Tokyo	11%	9/1	104.5	9.04	+101	

Chicago Exchange Options

Figures as of close of trading Friday.

Option & price	Call	Puts	Option & price	Call	Puts
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100

Option & price

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Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
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Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100

Option & price

Option & price	Call	Puts	Option & price	Call	Puts
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
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Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100

Option & price

Option & price	Call	Puts	Option & price	Call	Puts
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100
Alcoa	100	100	Alcoa	100	100

Euromarts At a Glance

Table listing various Euromart services and their details.

European Yields

Table showing yields for various European countries and currencies.

Weekly Sales

Table listing weekly sales figures for various companies.

Treasury Bonds

Table listing Treasury bond prices and yields.

Wall Street Review

Textual review of Wall Street market activity.

NYSE Most Actives

Table listing the most active stocks on the NYSE.

AMEX Most Actives

Table listing the most active stocks on the AMEX.

NYSE Diaries

Table listing NYSE diary entries.

AMEX Diaries

Table listing AMEX diary entries.

NYSE Sales

Table listing NYSE sales figures.

AMEX Sales

Table listing AMEX sales figures.

WestLB

Fixed Income and Equities Trading - for dealing prices call

Düsseldorf: Westdeutsche Landesbank, Head Office, P.O. Box 1128, 4000 Düsseldorf 1
 International Bond Trading and Sales: Telephone (211) 926 3122/26 37 41
 Telex 8 681 851/8 681 882

London: Westdeutsche Landesbank, 41, Moorgate, London EC2R 8AE/UK
 Telephone (1) 838 6141, Telex 887 984

Luxembourg: WestLB International S.A., 32-34, boulevard Grande-Duchesse Charlotte
 Luxembourg, Telephone (352) 4 47 41-43, Telex 16 78

Hong Kong: Westdeutsche Landesbank, BA Tower, 36th Floor, 12 Harbour Road
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Central Banks Can't Tame Dollar

NEW YORK — Currency traders say that despite attempts by the Federal Reserve and the Bundesbank to hold down the value of the U.S. dollar, central bank intervention is probably futile given the bullishness for the currency.

Normally when central banks sell dollars, anxious traders join in the sell-off. But this past week, the dollar rapidly recovered from each intervention by the U.S. and West German central banks, and on Friday it even breached a key resistance level against the Deutsche mark.

Dealers said the modest size of the two central banks' open-market operations suggest they are only concerned at this stage with putting the brakes on the dollar's speculative surge.

"They are trying to slow the dollar's ascent, not turn it around, otherwise they'd have spent more," said John Lynnam, vice president of corporate foreign exchange at Security Pacific Corp.

The dollar jumped 4 pence in the space of a week to a seven-month high of 1.8930 DM in New York on Tuesday.

And despite sales of dollars for marks by the Bundesbank and Fed on several days last week, the dollar closed at 1.8925 DM on Friday in New York, up from 1.8845 DM at Thursday's close and above a resistance level of 1.89 DM.

Some dealers also believe the Bank of England

sold dollars during the week. "They're just trying to keep the dollar from running away," said Larry Ryan, foreign exchange manager at European American Bank.

Dealers say they believe the dollar sales — estimated at between \$300 million and \$500 million, each by the Fed and Bundesbank — were kicked off by the U.S. central bank on Tuesday, when the dollar rose about 1½ pence.

On Wednesday, the Bundesbank took the unusual step of confirming that it had intervened in the open market to sell dollars. It stepped in again on Thursday. The Fed also sold dollars on Wednesday and Thursday, dealers said. The U.S. central bank does not comment on intervention.

Heightened tension in the Middle East has made would-be sellers nervous. The U.S. currency is viewed as a haven in times of turmoil.

Moreover, positive U.S. economic data, such as the surprisingly strong employment report for July, are forcing even pessimists to reassess their views. "This is the first number I've seen for some months that has made me think again about the economy," said one dealer.

Civilian unemployment in the United States fell to 6 percent, its lowest level since December 1979, and there was strong improvement in the manufacturing sector.

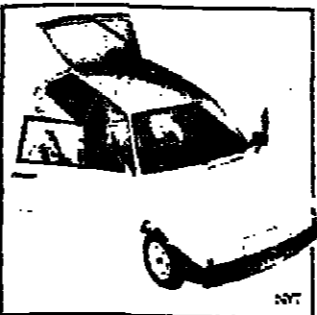
TRADE: Soviets Face Array of Obstacles in Effort to Sell Manufactured Goods in U.S.

(Continued from first finance page)

blocks if they are seen as too successful).

Since March, imports of the untreated cotton fabric — known as gray goods and used in apparel and upholstery — have been doubling monthly, reaching 8 million square yards (6.4 million square meters) in May, the latest month for which figures are available, according to Carlos F. J. Moore, executive vice president of the American Textile Manufacturers Institute.

Mr. Moore said the product has been entering the United States at 39 cents a square yard (31 cents a square meter), or about half the going American market price. "They're pricing it at the cost of the cotton content," he said.



The Russians are selling the four-wheel-drive Samara in Canada and Europe, and hope to market it in the United States.

Bowing to pressure from U.S. textile producers, the federal government on July 22 limited imports of gray goods from the Soviet Union in the next 12 months to a total of 4.4 million square yards.

"As a nonmarket economy, the Soviets are open to charges of subsidizing their exports," said Gary Holmes, a spokesman for the Of-

ice of the U.S. Trade Representative.

In the eyes of Soviet officials, the larger issue is reciprocity. In the last 15 years, the United States has had a cumulative trade surplus with the Soviet Union of about \$20 billion, Russian trade officials noted during interviews in Washington.

"We cannot buy from you, if you will not buy from us," said Mr. Kozhevnikov.

One of the Soviet Union's more ambitious goals is to take a share of the U.S. car market. Automotive News, the Detroit trade publication, reported recently that the

Russians are preparing to sell a front-wheel-drive hatchback called the Moskviy 21-1 in Western Europe and the United States by 1990.

The Soviet Union has also recently introduced the Samara — a front-wheel-drive vehicle — in Canada and Western Europe, which it hopes to sell eventually in the United States as well.

"We are quite confident that we can mount a successful marketing operation in the United States in limited numbers — something like 60,000 vehicles after three years," said Mr. Oziemel of Saura. The Soviet cars would be priced at about \$6,000, he said.

Mr. Kozhevnikov said the moves to increase sales of manufactured goods to the United States reflect the interest of Mikhail S. Gorbachev, the Soviet leader, in expanding exports to the West in general.

In a decentralization move that became effective last Jan. 1, 20 ministries and 70 large state enterprises received the right to trade directly with the West. Before, the Ministry of Foreign Trade had controlled all such trade.

The Russians are acting "whatever they can find a fit between what they are producing and what is marketable in the West," said a State Department official who monitors the Soviet economy.

American officials are watching the Soviet trade initiatives with keen interest. Recently, there have been reports from Moscow that the government is considering partial convertibility of the ruble. The Soviet Union now prices all of its hard currency exports in dollars, and the inconvertibility of the ruble is an obstacle to trade.

Last year Moscow jolted the West by announcing it was prepared to join the General Agree-

ment on Tariffs and Trade, the global trade organization now overseeing a new round of trade liberalization. Moscow's offer was rejected on the ground that the Soviet economy was not compatible with the economies of most of the 93 GATT members.

"We're looking to see how to fit the Soviets in the overall pie of global trade, but we don't have any answers yet," one American policymaker said.

In light of the generally poor rating of Soviet products, many U.S. officials see joint ventures with Western companies as the key to future Soviet success in exporting.

"They would provide the Western manufacturing control and worker incentives that would allow the Soviets to develop a workable range of higher-quality exports," said Mr. Vargo, the deputy assistant commerce secretary. "In the absence of joint ventures, the Soviets will never become a world-class exporting country."

The Russians are discussing joint-venture proposals with more than 100 Western companies.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100's	High	Low	Close	Net	Sales in 100's	High	Low	Close	Net	
AAIC	2.1	15.50	15.50	15.50	+1/8	AAIC	2.1	15.50	15.50	+1/8
AAIC	2.1	15.50	15.50	15.50	+1/8	AAIC	2.1	15.50	15.50	+1/8
AAIC	2.1	15.50	15.50	15.50	+1/8	AAIC	2.1	15.50	15.50	+1/8

SPORTS

Several Soviet Hockey Stars May Be Headed for the NHL

STOCKHOLM — Igor Dmitriev, who reportedly will be the next national Soviet ice hockey coach, said Saturday that he would not be surprised if several of his stars are in National Hockey League uniforms as early as next season. "The players will get an extra motivation if they get a chance to play as professionals," said Dmitriev, currently the squad's assistant coach. The team is here to play Sweden in two exhibition matches. "It wouldn't surprise me if at least 20 Soviet players perform in the NHL in the next couple of seasons," Dmitriev said. "The price will have to be discussed, but money won't be the deciding matter in such a deal. "The players would be stimulated by this opportunity to become well-paid professionals. And I believe this international exchange will develop ice hockey in all countries." In the past, the catch had been that the Soviet Union was willing only to send a top player who would reflect well on its program, but wanted to keep its best players for international competition. Now it seems that Soviet officials are changing their minds. Victor Khabov, who is expected to retire as coach of the team after the 1988 Winter Olympics, said five of the best players could receive official permission to play in the West following the Games in Calgary. "I know our ministry of sports is considering letting some of our players go abroad," he said. The five stars reportedly include defenseman Vyacheslav Fetisov and Alexei Kasatonov, and forwards Vladimir Krutov, Igor Larionov and Sergei Makarov — the team's top unit of the 1980s. Makarov is the all-time Soviet points leader in games against NHL teams. Vyacheslav Kolosov, chairman for hockey and soccer on the Soviet National Sports Committee, has the final say, according to Werner Persson, a Swede traveling with the Soviet team. Such a policy change could also affect soccer and other sports, such as basketball. Persson said. Six members of the Soviet basketball team are currently playing a series of games in the United States with the NBA's Atlanta Hawks. Several Soviet hockey players have received permission to play in the West in the past, but no national team member has ever played in the NHL. Fetisov was drafted in 1978 by Montreal and in 1983 by New Jersey. Kasatonov also was drafted by New Jersey in 1983. Krutov in 1984 and Larionov in 1985 were both drafted by Vancouver, while Calgary picked Makarov in 1983. The hockey squad crossed the commercialism line last spring when it became the first Soviet team to sign an individual sponsorship contract. During an exhibition game here, the players wore ads for a Swedish computer company on their jerseys. (AP, UPI)

Tigers Win, 15-5, Drop Yanks Out of First

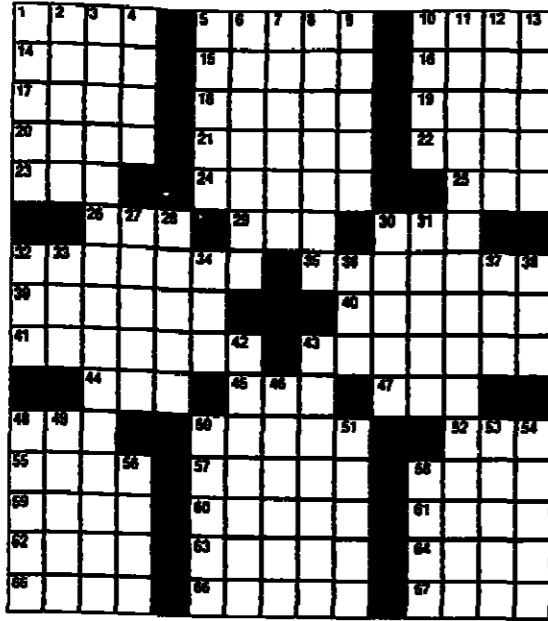
DETROIT — Darrell Evans hit a two-run home run Sunday to cap a nine-run fourth inning and Alan Trammell, Bill Madlock and Matt Nokes also homered as the Detroit Tigers routed the Yankees 15-4, and again knocked the Yankees out of first place again in the American League East. The Tigers got 14 hits off seven pitchers, with starter Dennis Rasmussen being pounded for eight hits and eight runs in three innings. Rick Cerone, the Yankees' catcher, pitched the eighth. Blue Jays 5, Indians 1: In Cleveland, John Cerutti won his seventh straight decision and Jesse Barfield, Willie Upshaw and Lloyd Moseby homered for Toronto. Cerutti, 8-2 and undefeated since May 17, pitched six innings and gave up seven hits, including Tommy Hinzo's first major-league homer, in the sixth. Cerutti struck out four and walked none. Twins 7, Athletics 5: In Minneapolis, Kent Hrbek, Tom Brunansky, Tim Lardner and Gary Gaetti homered in helping sweep a four-game series against Oakland. The Twins began the series in

straight decision and Jesse Barfield, Willie Upshaw and Lloyd Moseby homered for Toronto. Cerutti, 8-2 and undefeated since May 17, pitched six innings and gave up seven hits, including Tommy Hinzo's first major-league homer, in the sixth. Cerutti struck out four and walked none. Twins 7, Athletics 5: In Minneapolis, Kent Hrbek, Tom Brunansky, Tim Lardner and Gary Gaetti homered in helping sweep a four-game series against Oakland. The Twins began the series in

Hammaker 4-Hits Reds as Giants Win

SAN FRANCISCO — Althea Hammaker pitched a four-hit Saturday and Will Clark drove in two runs to help beat Cincinnati, 5-2, and pull the San Francisco Giants to within three games of the first-place Reds in the National League's West Division. Hammaker gave up only a second-inning single to Tracy Jones and an eighth-inning home run by Eric Davis through eight innings en route to his second complete game this year. Hammaker walked four and struck out five as the Giants won their second straight in the four-game series. The Reds' manager, Pete Rose, said of his starter, Tom Browning: "He's given up three, four, five runs in the first inning almost every game recently. He's got to give his team a better chance." Braves 9, Dodgers 7: In Los Angeles, Dale Murphy homered twice and drove in four runs and Gerald Perry got three hits, one a two-run home run, for Atlanta.

Dan Pasqua hit a two-run homer to put New York back into first place in the East Division. Indians 3, Blue Jays 1: In Cleveland, Tom Candiotti scattered eight hits and Brett Butler scored twice against Toronto. Red Sox 8, Royals 3: In Boston, rookie Ellis Burks went 3-for-3 with two doubles and a two-run home run, against Kansas City. Rangers 11, Orioles 5: In Baltimore, Tom O'Malley's three-run homer and Oddie McDowell's two-run shot helped Texas win. Twins 9, Athletics 2: In Minneapolis, Kirby Puckett went four for four and scored four runs against Oakland in support of Steve Carlton's 329th victory in the majors. Brewers 5, White Sox 3: In Chicago, Ron Hassey got three of his team's 13 hits in the second game of a double-header split with Milwaukee. Mariners 5, Angels 3: In Seattle, Alvin Davis's two-run homer began the defeat of California. (UPI, AP)



ACROSS 1 Fortune 5 Supply food for 10 Bases of the decimal system 14 Harrow rival 15 Overhead 16 Oodles 17 Apt anagram for evil 18 Hay bundles 19 Big bean 20 French magazine for women 21 Wide-awake 22 Absolute ruler 23 Actress 24 Ore pockets 25 Lemon drink 26 Mysterious power 29 Us, to Ovid 30 Shoot the breeze 32 Pedigree 35 Harass 39 Salad plant 40 Gander 41 What hams chew up 43 Nips 44 Marry 45 Cash follower

Solution to Friday's Puzzle BANS IISH CABLE ALAW ESTE ALOES LEVI AROMATIZES STARTSAFIGHT ATHLETE NEE HST MEO MELS DARUTH SPRING AGEH THECENTEROFTOWN HORA ELENAS INSTEP LAST HAS SEE XED THOUART THREENDORTIME NORMANLEARTRAP IDEAL TONE EDDO PAYTNE AINE ROAN

DENNIS THE MENACE



"WOULD YA GO EASY ON THE SPINACH, MRS. WADE? I'M TRYING TO CUT DOWN."

JUMBLE

A word puzzle section with a grid and clues. Clues include: "Unscramble these four Jumbles, one letter to each square, to form four ordinary words." The words are RYSAC, TYFFA, RETULB, and YAMFIL.

Print answer here: "....." (Answers tomorrow)

WEATHER

Weather forecast table with columns for Europe, Asia, Latin America, North America, Middle East, and Oceania. Includes high/low temperatures and weather conditions.

TODAY'S FORECAST — CHANNEL: Smooth, FRANKFURT: Cloudy, Temp. 12-18 (64-64). LONDON: Cloudy, Temp. 12-17 (54-63). PARIS: 12-18 (54-64). NEW YORK: Partly cloudy, Temp. 70-78 (21-26). BANGOR: Cloudy, Temp. 51-57 (12-33). HONG KONG: Cloudy, Temp. 27-32 (81-90). SINGAPORE: Cloudy, Temp. 27-32 (81-90). TOKYO: Partly cloudy, Temp. 20-27 (68-81).

PEANUTS



BLONDIE



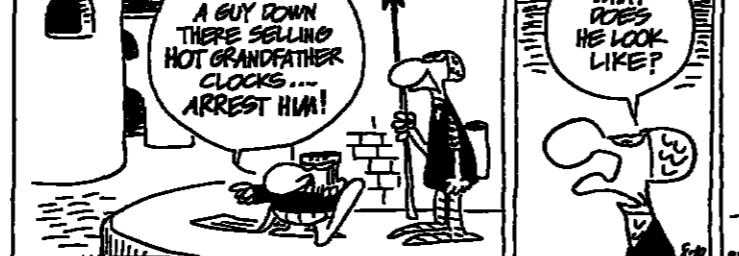
BEEBLE BAILEY



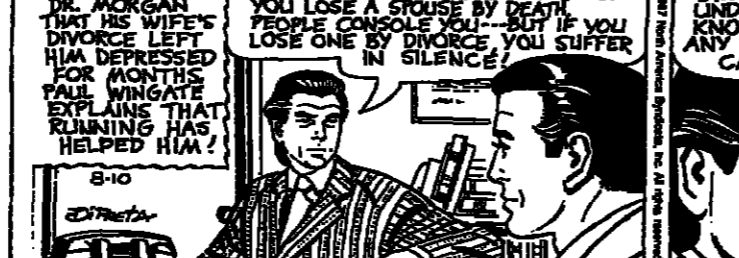
ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIEL



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

The focus on the Amsterdam stock market last week was again on publishing companies, as the outcome of the battle for Kluwer remained unclear. The situation was complicated by the announcement of the British publisher Robert Maxwell that he would seek cooperation with Elsevier, a Kluwer bidder. Elsevier's shares gained 20 percent to 67 guilders. All major stocks were substantially higher on the week. Prices fell over a broad front on Monday on increased tension in the Middle East. On Tuesday, the publishing sector again dominated, and Wednesday saw hectic trading centering on Elsevier and Kluwer. On Thursday, the market was strong, with the CBS international index rising 3.1 to a record 358.6. On Friday, the trade index reached an all-time high of 457.5. Market turnover was 7.67 billion guilders for the week, against 5.48 billion the previous week. Kampen & Co. stockbrokers in Amsterdam said the short-term outlook is positive, as the dollar shows no signs of weakening.

Singapore

Singapore shares were strongly supported in a holiday-shortened week by interest from overseas and local institutions. Gains were noted in all sectors, sending the Straits Times industrial index to a new high of 1,464.24, with a gain of 64.24 points for the week. Total volume was slightly reduced because of the holiday, reaching 165.9 million shares, valued at 526.9 million Singapore dollars.

Frankfurt

West German stocks made new gains last week with the Commerzbank index climbing 52.3 points to 2,039, its highest since the start of the year. The dollar's strength, at about 1.90 Deutsche marks, stimulated the eight West German exchanges because of the possible boost it offers to German exports. Most West German blue chip shares enjoyed strong foreign demand. Volume reached 33.8 billion DM, against 24.79 billion the previous week. Auto stocks rose, with Volkswagen up by 9.20 DM, BMW by 11, and Daimler 43. Among electricals, Siemens gained 16.50 DM to close at 711 and AEG 9 DM to 341. The Linde consumer goods group gained 21 DM to 784. Banks remained strong, notably Deutsche Bank, which gained 53 marks.

Tokyo

Tokyo stocks overcame early setbacks last week to notch up their third consecutive weekly advance. The 225-index Nikkei Average gained 312.84 yen to close Friday at 24,800.95 yen. The market was bearish Monday and Tuesday amid fears that tension in the Gulf would cause a further rise in oil prices. But feeling changed Wednesday, as the Gulf situation appeared calmer. Buying strengthened Thursday and Friday, spurred by Thursday's latest record-breaking run on Wall Street. Sony rose to 4,910 yen Friday up from 4,780 a week ago. Nippon Steel rose to 330 yen from 321, civil engineering company Taisei Corp. to 1,070 yen from 999 and engineering company Kajima to 1,790 yen from 1,640. Many market analysts agreed that the bull trend would continue this week with institutional investors, who have tended to stay on the sidelines, expected to come back to the market.

Hong Kong

The Hong Kong stock market finished last week on another high, with the Hang Seng Index gaining 38.24 points Friday to close at a record 3,536.19, up 56.95 on the previous week. It was the third record of the week, with dealers apparently keen to buy after the market lost ground Wednesday and Thursday. Average daily turnover was 2.46 billion Hong Kong dollars, soaring past the previous week's 1.88 billion.

Zurich

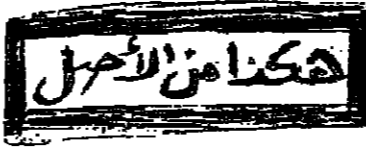
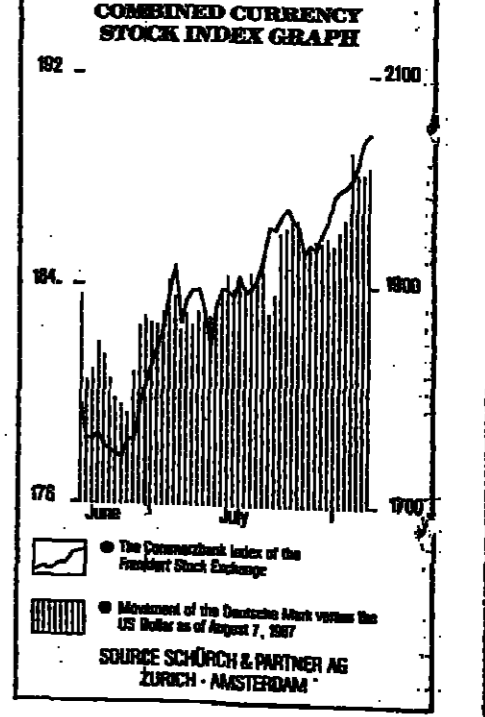
The Zurich stock market had another good week, and observers said the trend should continue in the absence of serious incidents in the Gulf. The Credit Suisse index closed the week at 592.6, against 583 the previous week, while the Swiss Bank Corp. index closed at 691.2, against 674.3. Both were record highs, and analysts said the Swiss Bank index should easily move above 700 this week. Bank stocks remained very firm, especially Swiss Bank Corp., which was up 21 to 516. Financial companies did well, with Oerlikon-Bihle rising by 35 to 1,485.

London

Nervousness about the Middle-East and key economic indicators, notably next Tuesday's trade figures, sent shares sharply down from the outset on the London Stock Exchange last week. On Thursday, both Financial Times indexes recorded their worst one-day falls, when the Bank of England gave the signal for a surprise 1 percent rise in bank base rates, to 10 percent. The gloomy mood continued on Friday as panic selling gripped the market, with some analysts even seeing the start of a free-fall of prices that would end the City's decade-long "bull run" of rising share values. The Financial Times industrial share index ended down 125.6 points on the week, at 1,726.9, a 6.7 percent fall. Gilts were also sharply affected, after early support was provided by a significant rise in Britain's gold and currency reserves in July. Consumer stocks, banks and insurances were among the worst hit. Oils and mining stocks went into sharp retreat after initial gains prompted by oil and precious metal firmness.

Milan

Milan stocks dived last week, as the crisis in the Gulf coincided with the traditionally slack buying interest of midsummer. The Comit index fell 4.36 percent over the week to close at 637.43, its lowest this year. An average of 16 million shares were traded each day, for an average value of 64.5 billion lire, against 62 million shares and 338 billion lire the previous week. The market has lost around 9 percent of its value in the past seven months, and every sector has been affected. Olivetti closed the week 5.56 percent down; Fiat ordinary lost 4.49 percent to reach a 1987



SPORTS

McCumber, Weibring Tied for PGA Lead

By Thomas Boswell

WASHINGTON Post Service PALM BEACH GARDENS, Fla. — Larry Mize, born and raised in Georgia, was the Masters...

straight up in the air. I know that when you drive it into the rough you don't even think about going for the green...



Mark McCumber: Feeling right at home.

chances. "At least now I'll be able to sleep tonight," said the 1969 and 1982 PGA winner. The most tormented soul by far was Ballesteros...

English Soccer Squad Defeats The Rest of the World, 3-0

Two goals by Bryan Robson and one by Norman Whiteside gave the English League a 3-0 victory over Diego Maradona (working above right, against Paul McGrath) and his Rest of the World teammates in a soccer match Saturday at London's Wembley Stadium...

SCOREBOARD

Baseball

Table with columns for 'FRIDAY'S RESULTS' and 'SATURDAY'S MAJOR LEAGUE LINE SCORES'. Lists various MLB teams and their scores.

Golf

PGA Championship

Table showing PGA Championship results through three rounds, listing players like Mark McCumber, Larry Mize, and others with their scores.

Hut-Hut: U.S. Football Rules at Wembley

WEMBLEY, England — In a National Football League exhibition game played on one of soccer's most hallowed fields...

NFL Faces Big Questions Before Testing for AIDS

NEW YORK — A number of teams in the National Football League have announced plans for voluntary testing for the AIDS virus...

European Soccer

WEST GERMAN FIRST DIVISION: Werder Mönchengladbach 1, Borussia Dortmund 0. Bayern München 1, FC Bayern München 0.

Tennis

MEN'S TOURNAMENTS: Czechoslovakia def. Ronald Agazzi, 6-4, 6-4. Darran Cuhli, Australia, def. Ricki Osterman, West Germany, 6-3, 7-6, 7-5.

Auto Racing

HUNGARIAN GRAND PRIX: Nelson Piquet, Brazil, Williams, 1 hour, 59 min. 36.790 sec. Avon Sports, Brazil, Lotus, 2:00:43.20.

Transition

CORNELL (IOWA)—Added the position of football coach to the duties of Steve Miller, basketball coach and athletic director.

Football

PHOENIX—Announced a modification on the June 21 trade with Detroit involving center William Bradford Huie...

Major League Standings

Table showing American League and National League standings for various teams like New York Yankees, Detroit Tigers, etc.

Appeals Court Gives McLain Reprieve

ATLANTA (AP) — A three-judge federal appeals court has unanimously thrown out the racketeering conviction of Denny McLain, baseball's last 30-game winner.

Dutch Family Life on a Rhine Barge

By Ronald van de Krol
A-BOARD THE LEONTINE
Willy Kreusch's twin daughters play at his feet as he maneuvers the barge and its 3,000-ton load of Brazilian iron ore around a wide bend in the river.

ferred to an oceangoing vessel for export to South America.
The only constant is the barge, and the river.
"Sometimes I could do this route in my sleep," said Willy Kreusch, a third-generation barge operator who, like his wife, grew up aboard a Rhine barge.



The Kreuschs on their barge, the Leontine.

Modern communications have helped break down the isolation that used to be the lot of barge families. Ship-to-shore radio now keeps them in touch with family and friends, while television and video-recorders bring popular culture into their living quarters.
Many barge operators now also carry a small car on board so they can tour West Germany or Switzerland while the family is awaiting fresh cargo.

On average, the Kreuschs are on the move 14 hours per day, three days a week. The rest of the time is spent waiting for a new cargo or doing maintenance work on the Leontine.
The family specializes in transporting goods on the lower Rhine between Rotterdam and the Ruhr, the busiest stretch of the river. About 200,000 ship-crossings are recorded at the Dutch-German border every year.

Apart from their honeymoon — which they spent on the Moselle River in West Germany — the Kreuschs have never had a proper vacation. But next month they intend to take a week-long break in a rented cottage in southern Holland. "Living in a house and having friends to play with will be a real treat for the girls," said Mrs. Kreusch.

Head Over Googols in Zero Options

By Alan W. Powers
THE U.S. budget and the national debt are both getting higher than most of us can count. Rather than appear to be baffled by what is after a trillion, Congress wants to reduce the numbers. But just in case it does not succeed, we had better all gain a passing familiarity with macroeconomics.
Anybody looking for a basic vocabulary for large numbers had better have a sense of humor. Ask friends what lies above a trillion. A zillion? They say. A skillion? But even if you ask a dictionary, what you find will not be comforting.
Take, for instance, the term that has recently made headlines: trillion. To define it, even the American Heritage Dictionary of the English Language resorts to a non sequitur:
trillion: 1. The cardinal number represented by 1 followed by 12 zeros, usually written 10^12. Called in British usage "billion."
So the British call a trillion a billion. They call the U.S. billion a thousand million. Of course, an attempt to define the word more explicitly can result in a tangle such as the one found in the Random House Dictionary of the English Language:
trillion: 1. a cardinal number represented in the U.S. and France, by one followed by 12 zeros, and in Great Britain and Germany, by one followed by 18 zeros.
This international discrepancy provides an open invitation for political exploitation, and I stand firmly against that. What would be simpler than an international conference on computing large numbers? The American delegates would accuse those in the rest of the world of being too stupid to understand the danger of running out of names for the dollars in the U.S. budgets. Weren't it Senator Dirksen who said, "A billion here, a billion there, and pretty soon you're talking real money? We can paraphrase this: A billion here, a billion there, and pretty soon we're talking a real, billion billion.

100 zeros. His was "barbaric coinage," according to the Random House Dictionary.
Not only should we standardize the terms for large numbers, but we should also agree in the United States anyway on the terminology for the numbers between a trillion and a googol. The real names are obscure at best, if not downright impossible. (How does quadrillionillion strike you?)
Why not use the natural answer, the one already on the lips of many native speakers: a "zillion." Then, maybe we can borrow the French term million, and on: ozillion, dozillion, trezillion, quatorzillion, and so on. With this French array, we can perhaps cope with the grains of sand on the East Coast, the stars in the favorite galaxy and the U.S. budget for fiscal 1987.
PROBLEMS of scale pervade modern life, from parts-per-million in pollution measurement to populations of billions of people, from the space between subatomic particles to the size of the supernova in the constellation Cepheus.
For most of us, it is difficult to conceive of anything beyond a hundred thousand, or if we really concentrate, a million. A million seems to be our 20th-century standard for bigness: a million miles, a million light-years, and of course the old standby, a million dollars. We have not replaced this last one yet, although a million is now arguably in need of a very strict budget. Still, a billionaire does not have the same universal application, partly because in Britain a billionaire must have the entire U.S. budget. No one does: there are 100 billionaires in the world.
A million is a lot, it is mega, at least according to the way the Massachusetts lottery defines its million-dollar prize — "Megabucks." But for the Greeks, who whom we lift the prefix, mega evidently had no specific numerical meaning. They used it to mean "great or large," as in megadendros, used of large trees, "as in times it held the connotation of 'exaggerated' or 'megalomaniac,' talking big, vaunting or boastful."
In most of contemporary American usage, mega has the same vague suggestiveness, the same indeterminacy as it held for the Athenians.
Within this decade, we have seen a Greco-Roman competition for the language of large scale: "to the man," from the Latin "most large," versus mega. Mega has achieved widespread usage in advertising — "megapads" and even the oxymoron "maximaths"; however, mega, as in "megablockbuster," is preferred by the cinema.
Although mega is as vague for us as for the ancient Greeks, it carries the suggestion of precision, perhaps because it has the ring of authority: a "megaton" bomb, or a "megadose" of some pharmaceutical. This may be the perfect combination of precision and suggestive indeterminacy that we need in our new nomenclature. A simple "megazillion" can mark our new borders of the known. How big is megazillion? Well, it's what a googolair would claim if he were boasting, or a maximillion would budget if he were elected to Congress.
Alan W. Powers, who teaches English at Bristol Community College in Fall River, Massachusetts, wrote this column for The New York Times. William Safire is on vacation.

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